

MOZAMBIQUE 161

News reports & clippings

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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

No prosecutions for Banco Austral plunder

No Mozambicans will be prosecuted for plundering and bankrupting Banco Austral a decade ago, the Public Prosecutor's Office (PGR) announced on 1 April. This follows a decision last year that no one would be prosecuted for the 2001 assassination of Antonio Siba-Siba Macuacua, the Bank of Mozambique's head of banking supervision who took over as head of the bank after it collapsed.

It ends a nine year struggle between Frelimo, which refused to hold accountable anyone from the party elite, and donors and civil society which fought to keep the issue alive. Donors forced a forensic audit of Banco Austral and made the bank collapse and murder symbolic governance issues, raising them each year in negotiations with the government -- in the end, to no avail.

As a condition of IMF support, the then People's Development Bank (BPD) was privatised in 1997 to the Southern Bank Berhad (SBB) of Malaysia (30.4%) and Investor (29.6%), a Mozambican company headed by Octavio Muthemba, former Industry Minister and chair of SPI - Gestão e Investimentos, the Frelimo party holding company. The state kept 40% of the renamed Banco Austral. Through a mix of direct theft and bad loans to themselves and others in the Frelimo elite, the bank was drained of at least \$150 million and then handed back to the state in 2001. Siba-Siba was named head, and tried to collect on some of the loans and prepare the bank for reprivatisation to ABSA of South Africa, now Barclays. In an unsuccessful attempt to stop the sale, Siba-Siba was murdered at the bank's offices on 11 August 2001.

The Public Prosecutor's Office (PGR) on 1 April said it would not prosecute Muthemba, who was chair of the Banco Austral board of directors, Jamu Hassan and Omaia Salimo, who were members of the board, and Alvaro Massinga, who sat on the bank's supervisory board, on the grounds that they did not take part in the direct day-to-day management of the bank.

Although the four received loans for themselves and their companies, knowing this was in violation of both the law (Lei 28/91) and the bank's Credit Policy Manual, both of which banned loans to managers and directors, the PGR does not feel this warrants prosecution. Muthemba, Hassan, and Massinga each had personal and company loans in excess of \$2 mn from Banco Austral, and these were not being repaid. The acts of the four men are "to be condemned on moral and ethical grounds", the PGR states, but any response must come from

the Bank of Mozambique, not the PGR. And it is for Barclays or the Mozambique government to try to collect on the outstanding loans.

The PGR does suggest that three Malaysian managers of Banco Austral should be prosecuted, but there is little chance of getting them back to Maputo for trial.

In a series of article written in 2001, I quote a senior Mozambican banker saying "it was impossible for the Banco Austral board of directors not to know that frauds were occurring." The original series of articles, which gives detailed background to the bank scandals, is titled "Killing the goose that laid the golden eggs " and is on

www.open.ac.uk/technology/mozambique/pics/d53732.doc

An attached file has AIM and Savana articles on the PGR decision.

Carbon credits crisis for apartheid-era investors

A carbon-credits driven development project near the Gorongosa park run by two men who became notorious in the apartheid era is in trouble, according to an article in the London *Sunday Observer* on April 11.

The project is in N'hambita, in Gorongosa district. It is largely east of the main north-south EN1 road, north the Pungue River and west of the Gorongosa National Park. The project appears to have had some local success, creating jobs and bringing money into the area. It has had support in various ways from the European Union (a grant of € 1.6 million), DfID and GTZ. (A long set of web references is attached.)

However, the method of funding the project though carbon credits is being increasingly questioned. In effect, local people are paid for 7 years to plant and conserve trees, but sign a contract to do so for 99 years. Then the entire 99 years of carbon credits are sold up front, in some cases before trees are even planted. Questions are being raised about taking money now for promises of actions by great-grandchildren. An evaluation done for the EU and issued in November 2009 considers the parts of the project relating to local communities to be "adequate" or "good", but the parts relating to carbon credits to be "insufficient".

The company responsible, Envirotrade, says it also has projects in the Marromeu Buffalo Reserve in the Zambezi valley and in Macomia, Quissanga and Meluca districts in Cabo Delgado in the Quirimbas National Park.

Envirotrade was co-founded by Robin Birley and Philip Powell in 2002. Birley set up and headed the Mozambique Institute in London which in 1991-3 lobbied for the Renamo guerrilla movement during the its war against the government in Mozambique. In the late 1990s Birley helped to finance the stay in the UK of the former Chilian dictator Augusto Pinochet. He was also a candidate in Britain for the Referendum party, founded by his stepfather Sir James Goldsmith, calling for British withdrawal from the European Union. Birley's half-brother Zac Goldsmith has been an advisor to the British Conservative Party on environment.

Powell was a senator in South Africa and safety and security spokesman for the Inkatha Freedom Party (IFP). He is cited in a number of places in the South African Truth and Reconciliation Commission (TRC) Report, accused of organising and arming an IFP force in 1992-94 which destabilised the 1994 elections. In particular the TRC reports that "Mr Phillip Powell of the IFP received from Colonel de Kock six 10-ton truckloads of weapons". Eugene de Kock was a colonel in the apartheid-era South African Police and commander of C1 unit (Vlakplaas) which killed dozens of anti-apartheid activists. Powell is quoted in a London *Sunday Times* article (4 January 2009), confirming that he is the man cited by the TRC, but denying being part of a death squad or ever inciting his trainees to kill.

According to the evaluation by the Belgian Agreco consortium, using Environtrade figures, \$5.9 million has been invested so far, of which 42% is an EU grant administered by Edinburgh University from 2003, 36% comes from Birley and Environtrade, and 22% is from the sale of carbon credits. But Agreco notes that “it was difficult to analyse the financial aspects of the project” because of lack of information. The final payment of the EU grant was suspended in 2008 because of outstanding questions, particularly about how carbon sequestration is being measured; it is understood that the final payment will be released shortly.

The project claims to not yet be profitable. The *Observer* article reports that Environtrade’s London arm is insolvent and owes \$1.2 million to the Mauritius parent company. The article also says that the project needs an immediate injection of a further \$1.6 million and it is not clear if Birley will provide the money.

155,675 tonnes of CO₂ have been sold at an average of \$8.54 per tonne, for a total of \$1,328,971. When carbon credits are sold, one-third goes to Environtrade as profit, one-third goes to Environtrade for management, and one-third to the communities. In 2007-2008, Environtrade says that \$113,465 (2,836,634 Mt) was paid to producers. Carbon credits are said to be sold under the DfID promoted Plan Vivo

The two biggest buyers of Environtrade offsets listed on their website are Creative Artists Agency (CAA), which handles stars such as George Clooney, and the Swedish company Max Hamburger Restaurants. CAA has created an International Volunteer Vacation Program, in which an agency called Global Colors takes CAA employees to Mozambique to visit and help in N’hambita.

On the ground

The project has three main components. The most important is community contracts to maintain existing forests. Agreco estimates that 80% of the carbon credits come from forests which are not cleared or are maintained sustainably. The Agreco study is highly critical of this part of the project, saying there is no statistically sound forest inventory, no accurate baseline measures, and that methods of projecting avoided deforestation are still to be developed – although credits for avoided deforestation have already been sold. Income goes to the community.

The second component is tree planting (particularly of fruit and nut trees) by farmers, plus extensions services to improve agriculture, reduce shifting cultivation, and control fires. Money goes to individual farmers and 1510 people are involved. The Agreco evaluation has high praise for this component, which is showing “encouraging results”. But part of carbon savings come from a move from shifting to permanent cultivation, and Agreco expressed concern that not enough was being done to ensure soil fertility.

The third component is small business. Most important is a sawmill and carpentry. In addition there has been bee keeping and bird production, particularly guinea fowl and ducks. Environtrade reports that the income of the carpentry shop since 2006 has been 1,441,337 Mt (\$57,653). Clients have included local schools, Environtrade and the Gorongosa National Park. The sawmill income 237,360 Mt (\$9,494) since 2006, selling planks to the carpentry shop. But the Agreco study estimates a much lower profit, only 253,389 Mt (\$10,120) for both businesses. Agreco says that the various business associations are not yet profitable, but “are progressing slowly but steadily and have chances of becoming economically self-sufficient over time.”

The community, with the support of ORAM and GTZ, has gained title to the land (a DUAT).

An evaluation in 2008 by the London-based Overseas Development Institute (ODI) raised a number of questions which have not been answered by Agreco or Environtrade. In particular, “financial sustainability is not clearly demonstrated for any of the activities undertaken. ... The review teams is particularly concerned about the financial sustainability of

the project's main income-generating activity, namely forest management to avoid deforestation." ODI also criticised "poor reporting" and inadequate information from Envirotrade.

More recent comments, for example from the forest pressure group Fern, have also pointed to growing worries about sustainability. Income from carbon credits is relatively short term, yet communities and farmers have made multi-generational commitments. Money from the project has attracted a significant number of incomers, who are increasing the pressure on the land. Charcoal-burning is a major source of employment in the area, which will create conflicts over the use of forests.

Everyone connected with the programme accepts that it is unprofitable and unsustainable at the moment, and there is still no agreed way of calculating how much carbon is being sequestered and for how long. So, six years after it began, there are now major questions about the project and about this model of carbon-credit funded foreign investment.

Joseph Hanlon

Web References

"Carbon credit documentary should not have been shown, BBC admits" by Mark Olden and Michael Gillard, The Observer, , London, Sunday 11 April 2010

<http://www.guardian.co.uk/media/2010/apr/11/bbc-envirotrade-robin-birley-mozambique>

"Mozambique: EU denounces socialite's carbon offset project" by Michael Gillard and Mark Olden, The Times (London), Sunday 4 January 2009.

<http://www.ecoearth.info/shared/reader/welcome.aspx?linkid=114527>

Envirotrade reply to Sunday Times article and comments on N'hambita Community Carbon project, January 2009

http://www.envirotrade.co.uk/html/news_archive.php

The two evaluations for the project (ODI and Agreco) are posted on my website

<http://www.tinyurl.com/mozamb>

Three Envirotrade reports of its N'hambita project:

"Sofala Community Carbon Project - 2009 Plan Vivo Annual Report. Submitted by Envirotrade"

http://www.planvivo.org/wp-content/uploads/Sofala_Community_Carbon_AR2009.pdf

Envirotrade projects: <http://www.envirotrade.co.uk/html/projects.php>

Envirotrade Facebook page with many pictures from N'hambita

www.facebook.com/pages/Envirotrade/96768825965

Envirotrade: <http://www.envirotrade.co.uk/html/about.php>

Envirotrade – Portuguese: http://www.envirotrade.co.uk/html/about_port.php

Wikipedia on Robin Birley: [http://en.wikipedia.org/wiki/Robin_Birley_\(businessman\)](http://en.wikipedia.org/wiki/Robin_Birley_(businessman))

Truth and Reconciliation Commission references to Philip Powell:

"Truth and Reconciliation Commission of South Africa Report", released on 21 March 2003, Vol 6 Section 3 Chapter 3, "The Inkatha Freedom Party"

http://www.info.gov.za/otherdocs/2003/trc/3_3.pdf

Also: <http://www.justice.gov.za/trc/decisions%5C2001/ac21202.htm>

Max Hamburger Restaurants <http://www.max.se/en/environment.aspx>

CAA Vacation Project - Global Colors Envirotrade
<http://www.globalcolors.org/projects/mozambique/caa-envirotrade.html>

Plan Vivo: <http://www.planvivo.org/>

Forestry project details: http://www.planvivo.org/?page_id=63

Fern, a pressure group on EU forestry policies: <http://www.fern.org/>

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***Do bicycles equal development
in Mozambique?***

by Joseph Hanlon & Teresa Smart
is only available direct from the publisher
www.jamescurrey.co.uk

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Also on the web: Previous newsletters and other Mozambique material are posted on
tinyurl.com/mozamb

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Mozambique media websites:

Noticias: www.jornalnoticias.co.mz
O Pais: www.opais.co.mz
Savana: www.savana.co.mz
Canal de Moçambique: www.canalmoz.com
AIM Reports: www.poptel.org.uk/mozambique-news

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