

# MOZAMBIQUE News reports & clippings

462 23 July 2019 Editor: Joseph Hanlon ( [j.hanlon@open.ac.uk](mailto:j.hanlon@open.ac.uk) )

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## Also in this issue:

**Resource dependency**

**Pemba bishop: what is government's secret**

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## Credit Suisse banker pleads guilty and names Safa and Guebuza's son

Andrew Pearse, the former Credit Suisse managing director who organised the \$2 bn secret debt, pleaded guilty on Friday to wire fraud (committing fraud electronically). And he named two top people as involved, the son of former President Armando Guebuza and Iskandar Safa, the head of Prinvest, the Abu Dhabi company which was supposed to supply equipment under the loan.

Prinvest officials "wired me millions of dollars in unlawful kickbacks from loan proceeds and illegal payments for my assistance in securing loans by Credit Suisse," Pearse said in court in Brooklyn New York. The money came from Prinvest officials like Jean Boustani, a salesman and negotiator at the company, and Iskandar Safa, the chief executive officer, he said. (Bloomberg, 20 July)

Pearse said that Boustani told him Prinvest had also paid at least \$50 million to the son of Mozambique's then president, Armando Guebuza, as part of the scheme. Boustani, who was arrested at John F. Kennedy airport in New York in January, has pleaded not guilty.

.As part of his guilty plea, Pearse agreed to forfeit \$2.5 mn and unspecified properties. He was freed on \$2.5 mn bail and can return to the UK where he will be monitored electronically.

Detelina Subeva, a former Credit Suisse vice president in the bank's global financing unit and number two to Pearse in the Mozambique loan, pleaded guilty in May to one count of conspiracy to launder funds.

<https://www.bloomberg.com/news/articles/2019-07-20/ex-credit-suisse-banker-admits-taking-bribes-in-mozambique-scam>

## Chang not indicted in Mozambique and retains immunity

Manuel Chang's immunity from arrest because he is a member of parliament has not been lifted, because he has not been indicted for a crime, Veronica Macamo, the speaker of parliament (Assembleia da Republica, AR) said on 15 July. This contradicts a statement by Macamo on 4 June that "if our colleague Chang comes to Mozambique today, he will be arrested, because that

has already been requested. There are a lot of people who think that when he arrives, he is going home, but that is not the case". (@Verdade 5 June, Lusa 15 July)

South Africa authorities made clear in their court submission that they felt they had been misled, and gave as a reason to reconsider his return to Mozambique the fact that he is not charged with a crime and will not be arrested. (See this newsletter 462, the Budget Monitoring Forum submission to the South African court <http://bit.ly/FMO-SA-court>, and Justice Minister Lamola's response <http://bit.ly/Lamola-SA-court>)

The magistrate's 17 July response and the transcripts of the January court hearings have now been posted, on <http://bit.ly/docs-SA-Court>

## Magid Osman: Mozambique must not pay

"Mozambique must not pay the secret debt and cannot pay. If I take \$300-400 mn to pay the debt, with this \$300-400 mn with proper public management I could work miracles. If instead I take this \$300-400 mn from the state budget to pay the debt, I would impose additional sacrifices on our people," said former Finance Minister Abdul Magid Osman in an interview on STV (17 July)

"And when we decide to not pay, we must take a set of other actions. Don't just put on trial Mozambicans, but those who were the real masters of this operation and are outside Mozambique. We must begin legal actions against them. We should follow the example of Malaysia," he said.

In an action very similar to Mozambique's \$2 bn secret debt, \$4 bn was taken from the 1Malaysia Development Berhad (1MDB), a government development authority. Unlike Mozambique, the Malaysian government has actively moved against the perpetrators. It has said it will not pay. It has brought criminal actions against the US bank Goldman Sachs and various individuals, and is assisting criminal investigations in the US, Switzerland, Singapore and elsewhere.

## Carlos Lopes: Mozambique is 'sinking into resource dependency'

"Mozambique is not a country that is making reforms to transform its economy structurally. It is rather a country that is sinking more in rentier dependence," said Carlos Lopes, former executive secretary of the United Nations Economic Commission for Africa. Lopes refers to countries living on the income of their natural resources, without adding value or using them to improve the economy, as "rentier states".

"If you start to get hidden debts before you even pump anything out of the ground - there is not even a cubic meter of gas produced and there are already gas-related debts - it is something very worrying. ... So now, what it must do is to figure out how to make something potentially positive with this wealth, and not turn it into a Dutch disease of gigantic proportions," he warned

"What is at stake is a project and a strategic vision to integrate natural resources in a modern country – Mozambique has this advantage, which can quickly become a disadvantage if it does not have a strategic vision," he commented. And he talks of the "incongruity" of just exporting energy and raw materials, rather than transforming those raw materials into manufactured products and creating value chains. Lopes is close to many senior Mozambicans and was interviewed in Lisbon on 11 July. (Lusa 15 July, [bit.ly/Lopes-Resource-Curse](http://bit.ly/Lopes-Resource-Curse))

## Osman: on the path to a rentier economy

"If we continue on the path we are following, naturally we will fall into an rentier economy," said former Finance Minister Abdul Magid Osman in an interview on STV (17 July), agreeing with Carlos Lopes. "We have not yet received any gas money, but we already have the mental attitude

that we are a very rich country. ... When we have fantasies of billions of dollars, we waste money on the Maputo-Katembe bridge and Nacala airport. ...When you think the money never stops, you have people who do projects that have no kind of national priority," he said.

And he warns that the gas investment costs are very large and are deducted at the start, so initial income to the state from the gas will be small. In 2026 it could jump to \$600 mn per year

There is talk of a sovereign wealth fund, but investment is needed now. "We have an agriculture in which peasants grow 400 kg of cotton per hectare, which means a lack of productivity." Mozambique need 10 times as many agricultural extension workers, Osman said. We have to invest in projects that will increase productivity. "If we continue to invest in projects like the Xai-Xai airport, this will never happen." (*O Pais Económico* 19 July)

## 'Preparing Zambezians for a big battle'

Much of the publicity about electoral registration has been about the Frelimo stronghold of Gaza province, where election official set high targets and the number of registered voters is 330,000 more than the number of voting age adults. But the lowest targets were set for Zambézia, where the opposition is expected to do well, and where registration was 600,000 less than the number of voting age adults.

The opposition is also concerned about the precedent set by the local elections, in which parallel counts gave victory to Renamo but the results were changed in secret in five municipalities to give the win to Frelimo. The police took the ballot boxes from polling stations in Marromeu and intervened in Gurué and Moatize. Unusually, international observers and donor agencies did not criticize misconduct at the level of elections commissions and the police. Opposition parties are worried that Frelimo sees that as a licence to repeat the thefts in the general elections on 15 October.

In an interview in Savana (19 July), the Renamo candidate for governor and current Quelimane mayor, Manuel de Araujo, issued a strong warning: "These will be very violence elections. Here in Zambézia, because they know they will lose, Frelimo has brought in Interior Minister Basílio Monteiro as head of the central election brigade. This is so that he can command the police to take the ballot boxes and reverse the results. But we are preparing Zambezians for this big battle. The people will respond. They won't let anyone mess with the votes. We know their [Frelimo's] plan and we are preparing."

Renamo last week issued four detailed documents challenging the registration:

An appeal to the PRG (attorney general) for an audit: <http://bit.ly/Ren-audit>

An appeal to the CNE for an audit: <http://bit.ly/Ren-audit-CNE>

A very detailed complaint to the attorney general alleging criminal activity: <http://bit.ly/Ren-queixa>

A background document on registration issues: <http://bit.ly/Ren-informe>

## Pemba bishop asks government: What secret about Cabo Delgado do you not want revealed?

Comparing the insurgency to Cyclone Kenneth, the Bishop of Pemba says "Cyclone Attacks" has already killed more than 200 people. The response has been very different to this "human cyclone" that has burned hundreds of houses, displaced hundreds of people, and caused massive hunger. "The welcome and praise-worthy local, national and international solidarity [after Kenneth] makes all the more visible the silence and abandonment of the victims of Cyclone Attacks".

"After much silence on the part of government, people and communities and, in particular, journalists, feel threatened and coerced into silence about what they see and hear. The press

speaks of its meetings with the authorities in terms of intimidation and threat. There is talk of agents infiltrated among the population so as not to let any information come out," Bishop Luiz Fernando Lisboa writes in an 18 July pastoral letter. "What do civil and military authorities want, creating this climate of secrecy and silence? What is the secret they neither want to reveal nor be revealed? Why don't they let themselves be helped in the investigation by brave, serious and responsible journalists?"

Bishop Lisboa goes on to point out that hundreds of people have been detained, including former police and military. Andrew Hannekon, a supposed paymaster, is dead. "But the attacks do not stop".

Finally he cites questions being asked but not answered: What are the links to smuggling, money laundering, and the secret debt? "Are the attacks linked to extreme poverty? Is there not a problem of too much land given to mining companies?"

The full Portuguese text of the pastoral letter is on

<https://www.facebook.com/santuاريو.murraca/posts/154548749023220>

A partial English translation is on <http://bit.ly/2Y2PuiA>

## Cabo Delgado war continues

The war in Cabo Delgado appears to be intensifying and insurgents seem better armed with more use of guns; previously attackers mainly used machetes. On Friday 19 July a rented car driven by a local businessman was shot at on the road 50 km north of Macomia; there were no injuries but the car was damaged. This follows an ambush of a military vehicle in Namaneco, Quiterajo in northern Macomia district on 12 July; two soldiers and five insurgents were killed. (Carta de Moçambique 15 July)

A woman was shot and seriously injured in Malinde, Mbau, Mocimboa da Praia, on 11 July, in an attack on farmers harvesting rice. On the same day Makulo village in Mocimboa da Praia was attacked; one woman was killed. In both attacks, insurgents burned huts and took food. Makulo had been attacked in October 2017 and local people had only recently returned.

Meanwhile, President Filipe Nyusi said that the armed groups in Cabo Delgado are being supported by "people who pretend to be business people and recruit young people. Some of them have been arrested," he told a campaign rally in Socone, Zambézia. (Lusa 15 July)

**Comment:** Yet again, the president is saying that young people should not be fooled by offers of jobs, because there are no jobs. Lack of jobs in a province with immense mineral and energy wealth is one of the roots of the insurgency. Carlos Lopes points to the lack of a vision to use the resource wealth to create industry and jobs. Magid Osman estimates that there will be 15,000 foreigners employed on the gas and only 5,000 Mozambicans, in the least skilled posts. Yet the government has put no pressure on the gas companies to train Mozambicans to take more of those jobs. The backers of the insurgency lent money to local small entrepreneurs who created jobs, yet government, donors and investors will not. The insurgency is, in part, about a lack of development which has left most people in Cabo Delgado as poor as they were 25 years ago. It is not simply a military problem. *jh*

## Governor candidates announced

The governor will be the head of the party list for provincial assembly that received the most votes. Renamo selected its heads of list (candidates for governor) at provincial meetings in June. Frelimo is less democratic and selected its heads of lists centrally; they were announced at the central committee meeting Saturday 20 July. The full lists are below.

Province	Renamo head of list	Present post
Cabo Delgado	Maria Angelina Eduardo	Pemba municipal assembly
Niassa	Hilario Waite	MP
Nampula	Luis Trinta Mecupia	MP, ex head of EDM Nampula
Zambézia	Manual de Araujo	Quelimane mayor (MDM, then R)
Tete	Ricardo Tomas	MP (MDM); R candidate for mayor of Tete
Manica	Alfredo Magumisse	Spokesperson for R Political Commission
Sofala	Noe Marimbique	Former head of Beira assembly
Inhambane	David Machamane	
Gaza	Mouzinho Gama Gundurujo	Xai-Xai municipal assembly
Maputo Prov	António Muchanga	MP, candidate for Matola mayor in disputed election

Province	Frelimo head of list	Present post
Cabo Delgado	Valigy Tawabo	administrator, Palma, Cabo Delgado
Niassa	Judite Massangele	
Nampula	Manuel Rodrigues	Manica Governor
Zambézia	Pio Matos	ex Quelimane mayor *
Tete	Domingos Viola	administrator, Doa, Tete
Manica	Francisca Tomas	Governor Niassa
Sofala	Lourenco Bulha	ex-Frelimo 1st sec Sofala*
Inhambane	Daniel Chapo	present Inhambane Governor
Gaza	Margarida Mapanzene	MP
Maputo Prov	Julio Parruque	Governor Cabo Delgado

Both Pio Matos and Lourenco Bulha were forced to resign by Frelimo several years ago and have now been rehabilitated

Nyusi also announced the senior figures, mostly members of the Party's Political Commission, who will head the Frelimo lists of parliamentary candidates for each of the eleven provincial constituencies. They are:

Niassa: Aires Ali (former Prime Minister)

Cabo Delgado: Eduardo Mulembue (former speaker of parliament)

Nampula: Margarida Talapa (head of the Frelimo parliamentary group)

Zambezia: Basilio Monteiro (Minister of the Interior)

Tete: Tomas Salomao (former executive secretary of the Southern African Development Community, SADC, and former finance minister)

Manica: Carlos Agostinho do Rosario (Prime Minister)

Sofala: Sergio Pantie (Deputy head of the Frelimo parliamentary group)

Inhambane: Ana Rita Sithole (member of parliament's governing board, its Standing Commission)

Gaza: Conceita Sortane (Education Minister)

Maputo Province: Veronica Macamo (current speaker of parliament)

Maputo City: Esperanca Bias (chair of parliament's Plan and Budget Commission).

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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](http://bit.ly/MozGasEng)  
Gás\_para\_desenvolvimento\_ou\_apenas\_dinheiro?\_2015 [bit.ly/MozGasPt](http://bit.ly/MozGasPt)  
Social protection report - 2017 Mozambique - <http://bit.ly/MozSocPro>  
Special report on four poverty surveys: [bit.ly/MozPoverty](http://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](http://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](http://www.jornalnoticias.co.mz)  
O País: [www.opais.co.mz](http://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](http://www.poptel.org.uk/mozambique-news)

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