

MOZAMBIQUE News reports & clippings

324 4 June 2016

Editor: Joseph Hanlon (j.hanlon@open.ac.uk)

To subscribe: tinyurl.com/sub-moz

To unsubscribe: tinyurl.com/unsub-moz

Previous newsletters, more detailed press reports in English and Portuguese, and other

Mozambique material are posted on bit.ly/mozamb

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.ly/MozElecData>

Chickens and beer: A recipe for agricultural growth in Mozambique by Teresa Smart and Joseph Hanlon is on <http://bit.ly/chickens-beer>

Gas for development or just for money? is on <http://bit.ly/MozGasEn>

UK investigating banks over secret loans

"UK regulators are making inquiries into Credit Suisse Group AG's and Russian bank VTB Group's handling of hundreds of millions of dollars of debt the banks arranged for the purchase of boats and military equipment for state-backed companies in Mozambique," the *Wall Street Journal (WSJ)* reported Saturday (4June)

Both banks used their British operations to handle three secret loans, totalling \$2 billion. The *WSJ* says the UK Financial Conduct Authority is looking into whether the banks violated regulations governing disclosures to investors around the bond restructuring. *WSJ* reports that investors said they had not been told of the two other \$1.15 billion in loans at the time of the Ematum \$850 million bond restructuring. "Much of the money raised for the tuna fleet was subsequently diverted to the military," *WSJ* notes.

At issue, according to the *WSJ*, is that the banks didn't mention these extra "loans to bondholders during roadshows to explain the restructuring, [although] they had included the borrowings in the calculation of Mozambique's consolidated public debt that they provided to investors."

Campaigners are broadening the issue, however. IMF Managing Director Christine Lagarde said that in keeping loans secret, the Mozambique government is "clearly concealing corruption." (*Mozambique News reports & clippings* 323) Campaigners argue that the loans are "illegitimate" because Credit Suisse and VTB should have known and told investors that: 1) the loan ostensibly for fishing boats was used for military purposes, 2) that it was highly likely that money was being diverted for corrupt purposes, and 3) that the loans could not be guaranteed by the government without approval of parliament.

Government has default advisor, WSJ says

Mozambique's government "has brought in a prominent debt-restructuring specialist to advise on whether it should keep making payments" on some of the loans, the *Wall Street Journal (WSJ)* also reported Saturday (4June). On May 23, Mozambique missed a \$178 mn payment due on the \$535 mn VTB loan to Mozambique Asset Management (MAM), and is negotiating with VTB to restructure the debt. *WSJ* reports that the government has brought in debt lawyer Lee C. Buchheit of Cleary Gottlieb Steen & Hamilton LLP to advise on the whole package of secret loans and bonds. "Buchheit has advised on a number of debt restructurings, including Greece's," *WSJ* says.

Nyusi: budget support stopped because of economic crises at home

"Those countries that financed and helped us with money have stopped giving because of the problems in their countries," President Filipe Nyusi told a rally in Chifunde, Tete, Saturday 28 May. (*O Pais*, 30 May) The G14 group of 14 budget support donors say they stopped budget support, and the IMF says it stopped releasing money under the Standby Credit Facility (SCF), because of the more than \$2 bn in secret loans.

Is the airports company for sale to reduce the debt?

In an unclear set of statements last week, it was said that the Mozambique Airports Company (Aerportos de Moçambique, AdM) is to be restructured and part privatized. The company lost money last year, according to company chair Emanuel Chaves who refused to give numbers. He added AdM has government guaranteed debts of \$500 mn. (*O Pais*, 2 June)

In particular, Chaves on 1 June said that AdM wants to "covert these guaranteed debts to another financer who might buy our debt." The debt is largely for new airport facilities in Maputo and Pemba and the new airport in Nacala. (*Noticias* 3 June, *O Pais*, 2 June) The debt includes loans of \$130 mn from China and either \$80 mn or \$144 mn from the Brazilian development bank (BNDES). (Bloomberg 2 June; sources vary on how much of the BNDES loan is for Nacala.)

On Tuesday 31 May the Council of Ministers announced that that the new Nacala airport would be privately operated. Nacala has proved to be a white elephant. Opened in 2014 with the promise of being a major international airport, it has a capacity of 500,000 passengers per year and can take planes up to the size of a Boeing 747. But so far it has only one flight a day from Maputo, and no foreign airline has expressed any interest in flying there. The airport was funded with a \$144 mn loan from the Brazilian development bank BNDES, conditional on the contract going to a Brazilian company; without tender, it was given to Odebrecht for both design and construction. The website *Diário do Poder* claims the money went directly to Odebrecht and did not even pass through Mozambique. Last year, company president Marcelo Odebrecht was jailed for 19 years as part of the Lava Jato corruption scandal in Brazil; he was convicted of corruption, money laundering and belonging to a criminal organisation. The judge also cited the involvement of the Odebrecht company in this "criminal scheme". (<http://www.diariodopoder.com.br/noticia.php?i=22974954430>; <http://odebrecht.com/pt-br/comunicacao/noticias/aeroporto-internacional-de-nacala-e-inaugurado-em-mocambique>; <http://www.ft.com/cms/s/0/f2ab3bfc-e584-11e5-ac45-5c039e797d1c.html#axzz4AczWn2Vi>)

In addition, five tiny airports will be privately operated, Chaves said: Inhamane (the only one with scheduled flights), Bilene, Lumbo, Ponta de Ouro, and Mocímboa da Praia.

And on Friday (3 June), President Filipe Nyusi speaking in Maputo at a lunch for business people, said "The government is reflecting on the relevance of the existence of at least 20 [state] companies. We [have already] talked about the company Airports of Mozambique. However, more companies will be evaluated." (AIM Pt 3 June) This seems a clear message that AdM and other state companies could be privatised.

Comment: Who might buy the AdM debt?

AdM has a range of assets and probably could be turned into a profitable company even though, globally, small airports usually lose money (according to the Airports Council International). So AdM could be privatised. However AdM chair Chaves implied that the real goal is to get the \$500

mn debt off the government books. How might that be done?

There is a widespread belief that a large part of the \$2.3 bn in secret debts went into foreign bank accounts and the deep pockets of some senior people, and there is growing pressure on those people to repatriate some of that money. Others, too, might be tapped - Mozambique remains a highly profitable transit point for heroin, with money going to important people. And the last 20 years has seen some people become wealthy through commissions of various sorts. Patronage networks involve reciprocal promises of future help if needed. Is now a time of need? Could some of these promises be called in? Might a secret Virgin Islands company be created which might pay to take over not just AdM, but its debt as well? jh

Dhlakama backs off on takeover by force

In a telephone press conference Wednesday 1 June, Renamo head Afonso Dhlakama said he had abandoned his plans to rule six provinces by force, because it would be misinterpreted. He said: "We had planned that from March we would rule by force, and that we would go into the districts and run the administrations. But I saw that we would be considered warmongers. The world would not understand us; it would say that they are black, and thus just make war." (Aim Pt 2 June)

He also said his base in Gorongosa had been under attack by the government for a week.

Meanwhile there have been three rounds of talks about talks, which now seems intended only to prepare a meeting between Dhlakama and President Filipe Nyusi. It appears progress is being made and a meeting will take place.

=====

Chickens and beer: A recipe for agricultural growth in Mozambique

by Teresa Smart and Joseph Hanlon

E-book for Kindle and iPad, for \$9.32 from US Amazon - <http://www.amazon.com/dp/B00NRZXXKE> - £5.14 from UK Amazon.

In pdf format, 6 Mb file, free on <http://bit.ly/chickens-beer>

Galinhas e cerveja: uma receita para o crescimento

by Teresa Smart & Joseph Hanlon. Copies are in Maputo bookshops or from **KAPICUA**, Rua Fernão Veloso 12, Maputo; Tel.: +258 21 413 201 or +258 21 415 451
Telm.: +258 823 219 950 E-mail: kapicudir@tdm.co.mz / kapicuacom@tdm.co.mz

Outside Mozambique, we have a few copies we can send from London.
Please email 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-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

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

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

=====
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

@Verdade: <http://www.verdade.co.mz>

Diario de Moçambique (Beira): <http://www.diariodemocambique.co.mz>

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

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

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

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

=====

This mailing is the personal responsibility of Joseph Hanlon, and does not necessarily represent the views of the Open University.