

MOZAMBIQUE News reports & clippings

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Special report on the secret \$2 billion debt

- Parliamentary report - key points (in English)
- Administrative Tribunal report - key points
- Brief chronology of Mozambique secret debt

Key points from the

Report of the Parliamentary Commission of Inquiry into the Situation of the Public Debt

{Relatório da Comissão Parlamentar de Inquérito para Averiguar a Situação da Dívida Pública}
Presented 30 November 2016. Commission chair : Eneas da Conceição Comiche

The full report (in Portuguese) and this special report are on <http://bit.ly/MozAR-debt>

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Translation by Joseph Hanlon

Curly brackets {} are used for the original Portuguese, only where important

Quotes: Double quotes (" ") are quotes from the commission report, Single quotes (' ') are places in which the commission is quoting people who gave evidence.

All material is taken directly from the report. Square brackets with jh [jh:] are used for further notes by Joseph Hanlon.

Round brackets give the report page numbers, A refers to annex pages, numbered separately.

Guarantees violate law and constitution and are void

"It must be understood that the guarantees issued are void", since the act of issuing the guarantees exceeded the limits set in the 2013 and 2014 budgets and thus "violated" article 179 of the Constitution. (34-35)

The state guarantees "constitute a violation of the Constitution and the budget laws". (5, 34, 70) "It is the conviction of this Commission that the Government has violated the budget laws because it exceeded the legal limits on the guarantees to be granted, which obliged it to ask Parliament [Assembly of the Republic] for authorization to retrospectively issue the guarantees, in both 2013 and 2014." (4) The guarantees "constitute an affront to the principle of separation of powers that informs our democratic system." (33)

"Summing up the replies of the Minister of Economy and Finance, Mr Maleiane, and the former Minister of Finance, Mr Chang, it turns out that the formation of the companies was the decision of the respective shareholders, while the issuance of the guarantees resulted from SISE's request in its role of coordinator of the project, in a process that did not involve the Council of Ministers and the Office of the Attorney General because, in the view of the former Minister of Finance, the law gave him the right to issue such guarantees in the name of the government." (A17) Chang said: 'Normally, when the state contracts a debt directly through the treasury, it is necessary that there be approval of this financing by the Council of Ministers and that there is the legal opinion of the Attorney General's Office. In this case, our conviction at the time was that there would be no debt to the state. This was our belief, so we were giving assurance that those companies could make (the investment) and quickly repay their debt'. But Chang went on to admit that 'only with Proindicus did we have a guarantee that there would be a quick return on financing. Unfortunately, also the case of Proindicus, we see that until today it has hardly started the activity the might generate high revenues.' (A18)

The government budget for 2013 authorized loan guarantees of 183.5 million meticaís, then \$5 mn. But guarantees were granted in 2013 for a \$622 mn loan to Proindicus and a \$850 Eurobond for Ematum. The government budget for 2014 authorized the same level of guarantees, \$5 mn, but a loan to MAM for \$535 mn was guaranteed. (33) [jh: The Tribunal Administrativo says the guarantee level for 2014 was \$500 mn, still less than the guarantee.] Former Finance Minister Manuel Chang admitted that 'without doubt it is clear' that the guarantees "exceeded the guarantee limit" in the budget. (A17)

At least one guarantee was not signed by a minister, but by the National Budget Director, Isaltina Lucas, the first Proindicus guarantee on 15 January 2013. She is now Vice-Minister. (A26)

"The Commission recommends that the Government must continue to hold the companies accountable for the payments of these debts". (5, 71)

However, the loan contracts also say that any issues arising from the guarantee will be adjudicated under English law and that English courts have exclusive jurisdiction. Furthermore, 'the guarantee renounces ... any immunity over goods and services in any jurisdiction.' (36-7) The state "effectively renounced its sovereignty and submitted itself to English courts." (69)

"The Commission is convinced that the Bank of Mozambique was not requested in advance to give its opinion on the issuance of guarantees" but that it would have been good if it has done so. (40)

The haste to approve the guarantees was justified by Chang: 'the urgency to resolve those problems meant that in fact we exceeded the budget guarantees.' The Commission was not convinced: negotiations lasted two years and there was more than enough time to go to parliament. (A66)

Mozambique will have to pay nearly \$400 mn per year on this debt, and Finance Minister Adriano Maleiane said simply 'I do not see the capacity' to pay. 'We have to restructure this debt service to be \$50 mn per year instead of \$400 mn.' (A60-1)

Justification largely military

Former Finance Minister Manuel Chang said: 'The request [for guarantees] came from the Defence and Security sector, via SISE, which was the promoter of the projects, and indicated the necessity to respond urgently to these threats.' (A13)

From the hearings and documents submitted, this was to be "a national project, resulting from the political will to ensure security and protection of the state, This project was seen not only as a solution that would allow the Mozambican state to enforce the legislation and protect its sovereignty and heritage, but also as a profitable and sustainable business opportunity". (17) "From the hearings and documents submitted to the Commission, the debts contracted by the three companies Ematum, Proindicus, and MAM, were based on the assumption of the existence of threats to sovereignty [and] territorial integrity, in particular characterized by illicit activities of maritime piracy, illegal immigration, drug trafficking, illegal fishing, the presence of private maritime security forces to protect private targets in national territorial waters, [with] insufficient financial and human resources for the effective protection of sovereignty." (4) This includes "an increase in subversive moves through electronic means that escape the control of national authorities." (17)

However the Commission raises questions about "contracting out" security services and asks if the objectives of Proindicus do not "end up colliding with the areas reserved for the military component in the Law on Defence and Security Policy." (45, 47) Part of objectives of Proindicus "coincides with the military component of national defence" which conflicts with the Law on Defence and Security Policy which "exclusively assigns this military component to the Armed Forces." (67)

Of the equipment bought with the loans, referred to variously as "military equipment" and "arms" {armamentos}, some have been given to the Ministry of Defence, some to the Ministry of Interior and some to Proindicus. (A43, A46)

Ematum was a cover for military purchases

'Fishing is not the main activity of Ematum', confirmed António Carlos do Rosário [jh: a senior SISE official], the CEO {PCA, Presidente do Conselho de Administração} of Proindicus, Ematum and MAM. (A73)

Proindicus is the "mother company" with which the project started. Rosário explained that 'Proindicus was founded in February 2013. Initially we wanted \$2 billion, 2.5, 3 billion.' Credit Suisse did two financing operations, \$372 mn and then an increase, through syndicated loans, but then 'it could not mobilise any more'. Rosário continued: 'If we had it all under Proindicus, then we would not have needed to go to the others, but with the fishing activity we found a way to do this.' (A77, A80) Former Finance Minister Manuel Chang added that 'we tried to find finance but we did not succeed without a government guarantee.' (A18)

Maleiane said that with Ematum 'it was never clear what was fishing and what was coastal protection.' The Ematum bond was for \$850 mn, but 'it was clear from the first that \$500 mn ... was for defence: radars and I don't know what else.' (A43-4) It was eventually agreed that \$500 mn would be transferred to the military budget. But, Maleiane continued, Ematum remained with three trimaran patrol boats [jh: high speed three-hulled patrol boats sometimes used for coastal protection] worth \$250 mn which would be passed to Proindicus. The 24 fishing boats cost only \$91 mn, he said. (A44, 73)

The Commission asked: "is the passivity and tranquillity with which the affair is being treated not abnormal, bearing in mind that the Mozambican State has been tied to a financing of \$850 mn, aiming at sovereignty, but that in the end it is concluded that the company can operate with only \$100 mn?" The Commission continues by asking if "the main objective when creating Proindicus was in fact military equipment, and then Ematum appears as a subsidiary thing, to camouflage?" Just with enough boats so that "the fishing has some presence and visibility". (A42, A72)

Rosário effectively confirmed this, He said "it was clear to the lender, from the outset, because it is in the documents, that Ematum had two components, tuna fishing and coastal protection, but that it was not advisable to publicly share the information." The Commission quotes Rosário to say: 'Of course, for us, we could not come and say to the banks and to anyone else that fishing was not the main part. [For us] the initial objective was to complement, increase and reinforce what we wanted,

which we could not do via Proindicus. It was necessary to create another company from scratch, with no liability whatsoever, but with a feasibility study of its own. And we managed to convince the banks.' (A78)

The Commission questioned the reason for the delay in sharing information about Ematum "in a very clear and transparent way". Rosário replied: 'secrecy is the soul of business, even more when it comes to very sensitive and strategic issues.' (A74)

Rosário added: 'Do it first and then come out to explain how we did it. That way there's no stopping it. It seems to have worked. Now, perhaps, we can take responsibility for having done as we did. But we did it deliberately, we had a goal of serving the State. And we succeeded. Things are here, companies are being built.' (A79)

Both military equipment and fishing boats unsuitable

'The Ministry of Defence was not consulted,' Defence Minister Atanásio Salvador M'tumuke told the Commission. And if it had been consulted, 'probably it would not be this equipment.' For defence of the maritime coast, 'I am sure that the military would have made other proposals', and not this equipment which 'cannot even reach the high seas' and would survive 'hardly three days'. But equipment began arriving in 2016. 'Bought, through which money, we do not know; if we have debt, we do not know, but there are the objects. Airplanes are in the air base, the ships are in our naval bases.' (A83-4, A135)

Carlos Xavier, director on Inamar [Instituto Nacional da Marinha; National Navy Institute], told the Commission that the fishing boats were unsuitable, because 'they have restricted range' and the manufacturer specifies that they can only operate in waves up to 2 metres high. (A130, A132)

Payment direct to contractor

Rosário, CEO of the three companies, said the contract was given to Constructions Mécaniques de Normandie - Abu Dhabi MAR (CMN/ADM) as a negotiated contract, without a public tender. CMN/ADM also negotiated the financing. (A53) The money went directly to CMM/ADM without passing through the Mozambican treasury; Mozambique receives equipment and services but not the money. (A64, A96-7, A109, A120)

The Commission "wanted to know the reason for the speed with which such large amounts of money were transferred [to CMM/ADM], from one month to the next, when the import, construction and pre-shipment inspections are longer processes." The Commission was worried that "such procedure could have caused the receipt of equipment without quality guarantees." CEO Rosário explained that this was a "turnkey" {chave na mão} contract. Rosário said that "on the one hand, it was convenient from the point of view of secrecy, since the equipment was mostly for the surveillance system, and on the other hand because the money was not under the control of the companies." He added 'all these companies were first financed and they only existed on paper. Only later did they actually exist on the ground.' "As regards enforcement, the CEO said that he was satisfied with the supervision that the FADS [defence forces] made." (A92)

"Paying the entire loan directly to the contractor ignored the need for working capital, the cost of hiring and training staff, and the cost associated with bureaucratic processes such as licencing and recruitment." (61) Even Rosário admits lack of working capital is proving to be a serious problem. (A37, A94)

"Borrowing by the firms showed an unreliable degree of linkage between credit institutions, contractors and borrowing companies. The relationship between the companies Ematum, Proindicus, and MAM and the contractors, and these with the creditors, were not transparent, showing that the government should have certified the process of the execution of the orders through an appropriate audit entity." (66) Rosário admitted that the contract was "unusual". (A110)

Secrecy

The Commission raises questions about the "high degree of secrecy". (48) António Carlos do Rosário, the CEO {PCA, Presidente do Conselho de Administração} of the three companies, said that the request to the Minister of Finance to grant the guarantees was made orally, given the confidential nature of the transaction, which was linked to defence and security. (A22)

Rosário [jh: in an emotional intervention] said that he and Chang discussed the idea of going to parliament to try to raise the loan guarantee limit. But they felt they needed to act quickly and 'without creating a fuss because we do not want to create alarm at this stage.' {'nós precisamos sem criar esses alaridos porque nós não queremos nesta fase criar alaridos'} Chang knew he was putting his career at risk and even risking arrest, Rosário said, but 'others have already done more for the greater good. Some sacrificed their lives and did not see independence. As an official of the state he swore to serve the country and Mozambicans.' (A106-7)

The secrecy was broken when Credit Suisse, contrary to the instructions of Mozambique, launched a public Eurobond. The CEO stated that 'the soup was already spilled, but we succeeded in managing things.' {'O caldo já estava entornado; o que conseguimos fazer foi gerir as coisas '} (A78)

The Commission complained to the Minister of Finance: 'The problem is that since the start of our hearings, no one takes responsibility for anything. The minister responsible for the companies says that it is with A or B, and no one takes responsibility. ... So we remain without adequate answers.' Finance Minister Adriano Maleiane only responded: 'Actually (it's a pity) the company could not clarify - at least the coordinator of this process, which, as I said, is SISE.' (A48-9)

"Although the involvement of these two financial institutions [jh: Credit Suisse and VTB - Vneshtorgbank, 75.5% owned by the Russian state] was of great national and international interest, in particular because of a lack of transparency, the Commission was unable to establish details of the application of the funds and the transfer of the amounts to the contractor, Constructions Mechaniques de Normandie (CMN) in France, although this information was requested at the hearing on 14 October 2016 with the CEO [Rosário] of the three companies." (20)

The Commission asked what checks the Ministry of Finance was making to ensure that equipment was actually being delivered? Otherwise, 'the state runs the risk of being tricked or cheated. It looks like a phantom exercise. Is there something that corresponds to the \$500 mn' from the Ematum loan? Maleiane responded 'that there is, as yet, no proof that anything has been delivered.' But he added it is not the task of the Ministry of Finance to verify. (A51)

"When asked if the actual value of the equipment is in fact the one that appears in the Ematum accounts and if there were no overcharging situations, the CEO said that everything they received was in compliance with what they ordered and within the standards internationally accepted." (A97)

'There is a difference between secrecy and confidentiality' Rosário argued. 'We succeeded, and we knew that if it wasn't confidential, this project, like many others, would not have been realised.' (A79)

Not informing the IMF

Former Minister of Finance Manuel Chang said it was not the responsibility of the government or his ministry to inform the International Monetary Fund of the loans, and was only the responsibility of the lender. But the lender did not do this. (40, A14-5) The Commission rejects this and points to the agreement signed with the IMF in 2013 which says 'the government will give technicians of the IMF documents relating to all external financial agreements.' (41) "The Commission reacted with indignation to the statement of the former Minister, stating that, in the context of the insistent invocation of non-compliance with the agreement with the IMF, it was our duty to comply with the conditions of the treaties subscribed by we ourselves, especially since we have had cancellation of

funding that led to the discussion that dominates all politics, and the entire Society". (A31-2)

Government did not understand the loan

"The Commission considers that the shareholders of the companies and the government itself did not properly evaluate the financial engineering of the operations." Because of the government guarantee, "the interest rates could have been much lower." And in giving the guarantees, government should not have ignored the "heavy weight" such loans would have in the total national debt. (61)

The loans were commercial and not concessional. (4)

Projects were never viable, could not repay loans

"According to the initial assumption of Project SIMP [Sistema Integrado de Monitoria e de Protecção, Integrated Monitoring and Protection System, approved December 2013], which were included in the conclusions of the feasibility studies, it was assumed that three companies would be profitable, capable of amortizing their respective debts." Indeed, "it was predicted that the project would be highly profitable. ... According to the forecast of the economic feasibility study, Ematum would amortize its debt in the sixth year, starting from a cash availability of \$50 million, which would serve to amortize interest costs as early as the first year. Cash flow would increase exponentially in eight years." (57-9)

"The Commission considers that the current reality shows the opposite, because the companies do not have the economic-financial capacity to amortize the debts within the contractually established terms," which means under the guarantee that the state must pay. "The Commission notes that the financial projection was based on unsustainable and hypothetical assumptions, and without taking into account facts and elements of risk and uncertainty that were not negligible. In the case of Ematum, since it had no experience of tuna fishing, the catch volume and therefore sales revenues should not have been projected at a very fast pace of growth to the point where maximum capacity is reached as early as the third year." The study did not take into account the lack of experienced sailors and fishing people. (57-9)

The feasibility studies for "MAM did not take into account the lack of conditions to install shipyards in Maputo and Pemba, nor with lack of experience in the naval industry. ... Proindicuas and MAM depended largely on gas projects, but no contracts had been agreed with Anadarko or ENI." (60)

"It appears that in the feasibility studies there was no attempt to take into account the inherent risks of the situation of the country and its economy, such as its vulnerability to changing import and export prices." (61)

Rosário admitted "the feasibility studies had been very optimistic and that unfortunately, as they went to work, they saw that there were some difficulties. For example, he mentioned the existence" of many competing tuna fishing companies, including one which already has a processing plant in Beira. (A100-1)

3 companies: equipment and problems

Finance Minister Maleiane admitted the companies did not have effective business plans. (A35)

Proindicus:

Under SIMP (Sistema Integrado de Monitoria e de Protecção, Integrated Monitoring and Protection System, approved December 2013), monitoring of the Mozambique Channel would be by fixed radars along the coast (40% of coverage), boats including some with drones (30%), aircraft (20%) and satellite (10%). (A71)

Rosário said the following equipment had been delivered: 16 radars, 1 satellite service package, 36 boats and interceptors, 3 patrol boats, 6 patrol aircraft and one computer centre. But the command and control centre, which is the core of the whole project and essential for its functioning, had not yet been delivered. The drones had not yet been supplied and the radars have yet been installed. (A71, A83, A116)

"The CEO [Rosário] said that they have been inactive {parados} since the start of the 'noise {barulho} that exists about the company Proindicus'." For two years there had been a satellite contract that gave up to 10% of the total surveillance planned in the SIMP (Sistema Integrado de Monitoria e de Protecção, Integrated Monitoring and Protection System). At the end of the period, it was assumed that Proindicus would take over the contract and continue to pay. But Rosário said the satellite provider did not accept and refused to renew the contract, "on the grounds that it first wanted to be sure of the purposes for which the images were intended, and that they feared that they were taking positions in the internal conflict in Mozambique, a stalemate that prevails up to the present moment." (A69)

A major source of income for Proindicus was to be protection of the offshore gas installations and related shipping. Multinational companies prefer that security be done by joint venture companies of which they are part. There is no legislation to force the gas companies to use Proindicus, and they are unlikely to commit to using Proindicus until it shows that it has the equipment and can do the security job. (A38, A40, A55, A76) Rosário admits that Anadarko "has been saying for a long time that it will never have a contract with Proindicus because it can use its own resources." ENI remains possible. But he also 'claims that multinational companies are using the publicity about the secret debt as a reason to not sign contracts with Proindicus.' (A113, A115)

Training only began in 2016, and Rosário says they are having trouble finding soldiers to train because they must have 12th class, speak English, and know how to swim.

Ematum

"Shareholders IGEPE and GIPS had virtually no background in terms of the fishing industry and Emopesca was virtually inactive." (A12)

There is a dispute between Rosário and the fisheries sector over changes demanded in the fishing boats after delivery. Rosário said that representatives of the Ministry of Fisheries visited the Normandy shipyard and should have demanded any changes then. Carlos Xavier Isidoro, director general of Inamar (Instituto Nacional da Marinha, National Navy Institute) said 'Inamar never received plans for the boats before their construction' as required by government regulations. No Inamar technician was involved in the technical specifications, no Inamar technician inspected the construction, and Inamar 'does not know any technician who accompanied the construction of these boats.' An Inamar technician told the Commission that 'on the basis of our inspection we saw horrible things that had to be corrected,' so modifications were demanded. Rosário claimed the Mozambican regulations date from 1945 and that they require berths for 16 people on a fishing boat, while the norm now is 8, and that Inamar demanded 16 births. Isidoro flatly denied this, and said Inamar actually suggested fewer berths and a crew of only 5. (A57, A85, A90, A130, A132-5)

Ematum lacks working capital and is "technically bankrupt", Rosário admitted. (A94-5) Ematum does not have a processing facility, which is essential for its commercial viability, because that will cost another \$3.5 mn which it does not have. (A99-100) Ematum was projected to catch 20,000 tonnes of tuna per year, but has never caught more than 200 tonnes, and did not operate for most of 2016 because of lack of working capital. (A102-3)

MAM

Rosário: 'The multinational oil companies have indicated that as long as the issue of so-called hidden debts is not clarified they will not use our services, allegedly because MAM arose from a dubious financing process.' But ships need repairing and there is no other shipyard in Pemba. 'It means that multinationals have no alternative to MAM, they have to work with MAM.' (A121)

Proindicus was created first and intended to be the only company

Proindicus was established first, in January 2013. It agreed its first loan in February 2013, to establish integrated systems of air, space, sea, lake, river and land security. Owned 50% by Monte Binga, a company of the Ministry of National Defence, and 50% by GIPS (Gestão de Investimentos, Participações e Serviços, Management of Investments and Services, which in turn is owned by Serviços Sociais do Serviço de Informações e Segurança do Estado - Social Services of SISE, the State Information and Security Service). \$622 mn syndicated loan via Credit Suisse. [jh: probably part VTB]

Ematum was established in August 2013 and took its loan in the same month for the import of fishing vessels and equipment for coastal protection. It is owned 34% by IGEPE (Instituto de Gestão das Participações do Estado, Institute to Manage State Shareholdings), 33% EMOPESCA (Empresa Moçambicana de Pesca, Mozambique Fishing Company which in turn is 80% owned by IGEPE and 20% Fundo de Fomento Pesqueiro - Fishing Promotion Fund) and 33% GIPS. \$850 Eurobond replaced in 2016 with a government sovereign bond. The Commission notes that "Emopesca, at the time, was a company which was not working and had no staff."

MAM [jh: Mozambique Asset Management, in English] was established in April 2014 and took a loan in May 2014 for the construction of shipyards in Pemba, and Maputo, for the maintenance and repair of boats. Owned 98% GIPS, 1% Ematum, and 1% Proindicus.

The Proindicus loan was first, but the Ematum loan was the first to be revealed.

Their establishment was authorised by Decree 91/2013 of 31 December, which created **SIMP** (Sistema Integrado de Monitoria e de Protecção, Integrated Monitoring and Protection System) (13, 18, 19, 24-7, 56-7, A11)

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Key points from the

Report of the Administrative Tribunal, as they relate to the secret debt

{ 2015 - Relatório e Parecer sobre a Conta Geral do Estado - Capítulo X - Dívida Pública}
Pages 14 and X20-X23 Dated November 2016. Translation by Joseph Hanlon
The full report (in Portuguese) is on http://www.ta.gov.mz/article.php3?id_article=457

The Administrative Tribunal (Tribunal Administrativo - state auditor) in its audit of the government accounts for 2015 notes that under law 9/2002 no expenditure can be made, even if it is otherwise legal, if it has not been in the state budget, and this must be observed. The loans to MAM and Proindicus were not mentioned in the 2014 and 2013 state budgets. These loans, as well as the Ematum loans, were contracted without authorization of parliament. The constitution specifies that loans and guarantees must be approved by parliament.

"These companies contracted loans abroad, which the Government endorsed, with these credits becoming the indirect debt of the State. The debts in question were contracted without the proper authorization of the Assembly of the Republic, referred to in paragraph p) of paragraph 2 of article 179, of the Constitution of the Republic, according to which it is for this body to authorize the Government, defining the general conditions, to contract or grant credits."

"In the 2015 accounts no reason is given for the exclusion of these loans from the accounts of the previous years. ... In the documents provided by the Treasury, no mention is made of what these loans were used for."

The agreement for the Proindicus loans is written only in English, while the law requires that any document written in a foreign language must be translated into Portuguese and authenticated. The loan guarantees exceeded that limits fixed in the 2013 and 2014 budgets. (See Quadro X.22)

Proindicus and MAM loans and guarantees

quadro a seguir.

Quadro n.º X.21 – Empréstimos Realizados com Avais e Garantias em 2013 e 2014

Empresa	Valor (Milhões de USD)	Ano do Empréstimo	Taxa de Juro	Maturidade (Anos)	Diferimento (Anos)	Prazo de Pagamento (Anos)
Proindicus, SA	622	2013	Libor 12 meses + 3,75%	8 (2014-2022)	3	5
MAM, SA	535	2014	Libor 12 meses + 7,735%	6 (2014-2020)	2	4

Fonte: DNT.

Quadro n.º X.22 – Garantias e Avais Autorizados em 2013 e 2014

N.º Ordem	Empresa	Ano do Empréstimo	Valor do Empréstimo		Limite Estabelecido na Lei Orçamental (Em mil Metcais)	Excesso (Em mil Metcais)
			Em USD	Equivalente em MZN (Em mil Metcais)		
1	Proindicus, SA	2013	622.000.000	18.560.480	183.500	18.376.980
2	MAM, SA	2014	535.000.000	16.852.500	15.783.500	1.069.000

Fonte: DNT e Lei n.º 1/2013, de 7 de Janeiro e Lei n.º 1/2014, de 24 de Janeiro, que aprovam o Orçamento de 2013 e 2014.

Câmbio (2013) 1 USD=29,84 Metcais.

Câmbio (2014) 1 USD=31,5 Metcais.

Ematum loan, 2015 payments, and rescheduling

Quadro n.º X.24 – Novo Plano de Amortização da Dívida da EMATUM, SA

(Em USD)	
Valor da Dívida	850.000.000
Maturidade	2020
Período de Diferimento	4 Semestres
Início de Pagamento	Março de 2015
Modalidade de Reembolso	Semestral
Valor da Modalidade de Reembolso (Semestral)	76.500.000+Juros

Fonte: DNT.

Quadro n.º X.25 – Pagamento Efectuado, em 2015, da Dívida da EMATUM, SA

Data	USD 350.000.000 (Garantida Pelo Estado)		USD 500.000.000 (Assumida Pelo Estado)		USD 850.000.000 (Dívida Total)		Total Pago (Em USD) (7)=(5)+(6)
	Capital (1)	Juros (2)	Capital (3)	Juros (4)	Capital (5)=(1)+(3)	Juros (6) = (2)+(4)	
11-03-2015	0,00	11.033.750,00	0,00	15.762.500,00	0,00	26.796.250,00	26.796.250,00
11-09-2015	31.500.000,00	11.033.750,00	45.000.000,00	15.762.500,00	76.500.000,00	26.796.250,00	103.296.250,00
Total							130.092.500,00

Fonte: DNT.

Quadro n.º X.26 – Novo Plano de Amortização Após a Reestruturação da Dívida

(Em USD)	
Valor da Dívida	726.500.000
Maturidade	2023 (7 anos)
Período de Diferimento	2 Semestre
Início de Pagamento do Juro	Janeiro de 2017
Periodicidade do Juro	78.000.000 (Anual)
Modalidade de Reembolso	Um único pagamento em 2023 (Bullet Payment)

Fonte: DNT.

Bullet Payment: é um tipo de empréstimo obrigacionista, em que o devedor, ao longo da vida do empréstimo, paga apenas os juros e reembolsa o capital de uma única vez no final do prazo.

Brief chronology of Mozambique secret debt

(Numbers in round brackets refer to issues of *Mozambique News Reports & Clippings*)

A good detailed chart and chronology was published in *Africa Confidential* (13 May 2016), still available free on: http://www.africa-confidential.com/article/id/11658/Secret_security_debts_devastate_economy

Three companies were established and loan packages were agreed in 2013-14. The companies were established as Mozambican private companies owned by the state and controlled by the security services, SISE:

- Proindicus - first company to be established, January 2013. Owned 50% Monte Binga (Ministry of Defence) and 50% SISE. Syndicated \$622 mn loan - Credit Suisse \$504 mn, VTB \$118 mn. Secret, arranged February and June 2013.
- Ematum (Empresa Moçambicana de Atum) - established August 2013. Owned 1/3 each IGEPE (state holding company), Emopesca (state fishing company) and SISE. Eurobond - total \$850 mn - Credit Suisse \$500 mn, VTB \$350 mn - arranged by these two banks plus BNP Paribas, August 2013. Bonds were sold without parliamentary approval but bond sale was public. President Armando Guebuza, French President François Hollande and shipyard owner Iskandar Safa were present for a 29 September 2013 ceremony at the Cherbourg, Normandy, France shipyard.
- MAM (Mozambique Asset Management - company name is in English) - established May 2014. Owned 98% SISE, 1% Ematum, 1% Proindicus. Syndicated loan - VTB \$535 mn. Secret, May 2014.

Period 1 - only Ematum loan known

Sept 2013 - news reports of Ematum loans and shipyard ceremony.

Nov 2013 - budget support donors object to Ematum loans; IMF agrees \$500 mn military part to go on Ministry of Defence budget (233, 235)

Dec 2013 - Council of Ministers approves SIMP (Sistema Integrado de Monitoria e de Protecção, Integrated Monitoring and Protection System) setting coastal protection policy and framework for the three companies.

Jan 2014 - IMF and donors delay funds over Ematum (239)

Mar & May 2014 - further IMF criticism (251, 254, 258)

June 2014 - some withholding of aid confirmed (261, 262, 263)

15 Oct 2014 - election; Filipe Nyusi elected president

Jan 2015 - new government - MAM and ProIndicus loans kept secret from new government

Mar 2015 - \$27 mn paid on Ematum bonds.

June 2015 - Ematum statement to parliament by new Finance Minister Adriano Maleiane (292); tuna boats delivered (322)

Aug 2015 - Moody downgrades Mozambique's credit rating (296)

Sept 2015 - \$103 mn paid on Ematum bond.

Oct 2015 - Maleiane admits attempts to renegotiate Ematum bond (301)

Nov 2015 - Mozambique asks IMF for a loan (302)

Dec 2015 - \$119 mn first instalment of IMF standby credit paid

Jan 2016 - aid falling, IMF warnings (308)

March 2016 - formal proposal to replace Ematum bonds with government bonds; creditors agree; rating agencies downgrade Mozambique (313, 314, 315)

Period 2 - other two secret loans become known

March 2016 - Without announcement, first payment of \$25 mn on Proindicus loan - unclear if payment is by company or the government. Standard & Poor's downgrades Mozambique credit rating.

Apr 2016 - Wall St Journal reveals, and Maleiane admits, \$1.2 bn in MAM and ProIndicus secret loans; IMF cancels mission and stops 2nd payment (316); Ematum rescheduling prospectus shows an increase in total debt which included the two other secret loans, but no one seems to have noticed. (317) Rapid devaluation has been going on since beginning of year.

May 2016 - all donor budget support stopped (318); donors say IMF to take lead; parliamentary debt investigation agreed (319); pressure growing for forensic audit; *Africa Confidential* article (320); \$134 mn (or \$178 mn) payment due to MAM not made (322)
June 2016 - it is not a "priority" to pay the loans of ProIndicus and MAM, Prime Minister Carlos Agostinho do Rosário told parliament (326); IMF mission rejects government proposals and **demands public forensic audit** (328, 329)
July 2016 - inflation & devaluation continue; government spending cuts (330); President Filipe Nyusi rejects audit demand (334)
Sept 2016 - Nyusi meets IMF head Lagarde in Washington (340); \$103 mn paid on Ematum bond
Oct 2016 - government backs down and accepts audit (340); creditors told Mozambique cannot pay (344)
Nov 2016 - Kroll named for audit (346)
Dec 2016 - parliamentary debt report (348); IMF mission says no IMF programme soon (349)
Jan 2017 - \$60 mn interest on rescheduled Ematum debt not paid

Next payments due: ProIndicus \$119 mn in March 2017 & MAM ~\$134 mn in May 2017.
Kroll forensic audit due: 31 March 2017.

Following the donor-designed path to the \$2.2 billion secret debt <http://bit.ly/3WQ-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/>

Chickens and beer: A recipe for agricultural growth in Mozambique

book 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>

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

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>

Books by Joseph Hanlon

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 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: 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>

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

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