

# MOZAMBIQUE News reports & clippings

353 8 January 2017 Editor: Joseph Hanlon ( [j.hanlon@open.ac.uk](mailto:j.hanlon@open.ac.uk) )

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**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](http://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**

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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## Also in this issue: Evidence from abroad

**Lagarde model for Chang?**

**Dhlakama would have won under US system**

**Buying Mozambicans cheaply**

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## Cease fire continues

The cease fire continues, but Renamo Friday accused the government of "provocations in violation of the cease fire", according to Lusa (6 Jan), the only news agency to report the complaint.

Renamo spokesman António Muchanga said the cease fire is not threatened, but that Renamo officials attempting to monitor the cease fire were being threatened by Frelimo and were forced to hide.

The cease fire has only been declared by Renamo and government has not made any public commitments to restrict military and police actions, although it appears to have done so in practice.

In acknowledgement of the cease fire, the three armed convoys through areas subject to attack (two on the EN1 in Sofala and one on the EN7 in Manica) have been stopped. Traffic can move freely and it appears this is happening very quickly. (*O Pais*, 7 Jan) The police claimed that the convoys were stopped on 28 December, during the first cease fire, but had to later admit they were only stopped on 4 January. But the spokesperson of the Manica Provincial Police Command, Elsidia Filipe, stressed that checkpoints remained and "we shall stop citizens and ask to see their identification and, when necessary, we shall search vehicles." (AIM En 4 Jan)

## Maputo water warning

Maputo faces a severe water shortage, in contrast to a warning of 2 metres rise in a single day in the Limpopo River and of heavy rains forecast for the north. The two-year El Nino drought has ended across most of southern Africa, but not in the Maputo watershed. The reservoir at the Pequenos Libombos dam on the Umbeluzi river is just 14% full; this dam provides water for Maputo city and Matola. (AIM En 6 Jan; Boletim Hidrológico 5 Jan) While there have been good rains in the Limpopo river basin, the same is not true of the Umbeluzi and Incomati river basins further south, which rise in Swaziland and eastern South Africa. The government has already banned the use of Pequenos Libombos water for irrigated agriculture, threatening production at banana plantations, and has banned washing cars or watering lawns.

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## Evidence from abroad

The end of last year saw events published in the international press which could be relevant to Mozambique, and which are highlighted in this special issue of this newsletter. *jh*

### Could Christine Lagarde be a model for Manuel Chang?

If Mozambique is going to renounce the government guarantee on most of the \$2 bn in secret debt, it will need to argue that the then Finance Minister Manuel Chang acted unconstitutionally and illegally in signing the guarantee. And it would help Mozambique's case if Chang were to be charged and eventually convicted for his action.

Two recent international cases show that senior figures can be convicted of serious crimes and not be punished, and that this is acceptable to the international community. The simplest way forward would be for Chang to plead guilty, avoiding a long trial, and a plea bargain could be agreed (technically not allowed in Mozambique) or President Filipe Nyusi could agree in advance to pardon Chang under article 159 of the constitution.

Christine Lagarde, Managing Director of the International Monetary Fund (IMF), was found guilty on 19 December of "negligence with public money" in approving a € 400 million payout of taxpayers' money to controversial French businessman Bernard Tapie; she was the French finance minister at the time and acted against the advice of experts. Tapie has since been ordered to repay the money. Although clearly a serious crime relating to a very large amount of money, the special court decided she should not be punished and that the conviction would not constitute a criminal record. Within hours of the court's decision, the IMF executive board convened a special meeting which gave Lagarde its full support. (*Guardian* UK 19 Dec)

The other case is less well known. On 18 November the former director-general of the Portuguese spy agency (Serviço de Informações Estratégicas de Defesa, SIED), Jorge Silva Carvalho, was convicted in a secret trial of violation of state secrecy, aggravated invasion of privacy and abuse of power. He was given a suspended sentence of four and a half years in prison, and thus walked free. After leaving SIED he was hired by Ongoing, one of the largest private companies in Portugal, and was convicted of giving Ongoing secret SIED documents. He was also convicted of invasion of privacy for commissioning secret investigations of the head of the company that owns the newspaper *Expresso* after it published details of the provision of secret documents. (AIM Pt 18 Nov)

In both cases, very senior officials committed serious crimes, but went free. Clearly neither the IMF nor Portugal (and thus the donor community) could object to Chang pleading guilty and then going free. But a guilty plea by Chang would add considerable weight to Mozambique refusing to recognise the government guarantee of the secret loans. *jh*

### Dhlakama would have won under US system

The US system of democracy last year named as President the person who came second in the popular vote. Hillary Clinton won 66 million votes, 3 million more than Donald Trump, who was named President. (In 2000, Al Gore won more votes, but George W Bush was elected President.)

Because the US presents itself as such a paragon of democracy, we should look at how the US system would work in Mozambique. Unlike Mozambique, in the US people do not vote for the President directly. Instead, they vote for "electors". For each state, the number of electors is the number of people in congress (Senate plus House of Representatives) from that state. All the

electors must vote for the candidate who wins the most votes in that state.

How would this system have worked in Mozambique? Assume that the number of "electors" for each province is the number of seats that province has in parliament - close to the US system. In 2014, Afonso Dhlakama of Renamo won the most votes in five provinces: Nampula, Zambézia, Tete, Manica and Sofala. There are 250 seats in parliament, but those five provinces account for 151 seats. With 151 electors, Dhlakama would have overwhelmingly won the 2014 election, even though he gained 1 million fewer votes than Filipe Nyusi.

How could that happen? The race was close in the provinces Dhlakama won, and he won more than half the votes in only two provinces (56% in Sofala and 53% in Zambézia). But Nyusi won more than two-thirds of the vote in five provinces, and his large margins in those provinces were greater than Dhlakama's small margins in his five provinces. So Dhlakama "won" in the bigger provinces, but Nyusi won the most votes in total.

This is one of the issues in the current war - is victory determined by a majority of votes, or by gaining the most votes in the big provinces?

Perhaps the US should be pushing its system in Mozambique, so that the candidate that wins the election is the one who comes second in the popular vote. *jh*

## Buying Mozambicans cheaply

Further evidence has emerged as to how cheap it is to bribe Mozambican officials. It cost Odebrecht, the Brazilian construction giant, only \$900,000 in bribes to win the \$216.5 mn Nacala airport construction project. The airport has proved to be a white elephant, but Mozambique still owes the debt to Brazil.

In a plea bargain with the US Department of Justice, Odebrecht admitted that between 2011 and 2014, it made "\$900,000 in corrupt payments to government officials in Mozambique. The corrupt payments included approximately \$250,000 in payments to a high level government official in Mozambique in exchange for Odebrecht obtaining favourable terms on a government construction project, which the government had not been inclined to accept before Odebrecht offered to make the corrupt payment." *@Verdade (27 Dec)* points out that the airport was the only Odebrecht construction project in Mozambique at the time.

The airport was originally estimated to cost \$90 mn, of which \$80 mn was to come from the Brazilian development bank (Banco Nacional de Desenvolvimento Económico do Brasil, BNDES) and the rest from Standard Bank. But the price rose to \$216.5 mn, of which \$125 mn came from BNDES. All loans were guaranteed by the government.

Odebrecht agreed to pay the US government between \$2.6 billion and \$4.5 bn in fines. Over 15 years (2001-16) Odebrecht gave \$788 mn in bribes to win 100 projects in 12 countries, including Mozambique, plus \$349 mn in bribes to political parties and foreign officials in Brazil, leading to "ill-gotten benefits" totalling \$4.4 bn.

Thus bribes were about 26% of the extra profits, which should show how cheap it is to buy Mozambicans. The plea agreement does not give a profit for the Mozambique project, but much of the cost inflation (\$126.5 mn) must have been profit. If half of that (say \$60 mn) was profit, Mozambicans were paid 1.5% of the extra profit - only a 17th of what officials were paid in other countries.

Another way to look at the value of bribes is as a percentage of the whole contract. An 8% bribe led to the conviction of a UK National Health Service director. Peter Lewis was jailed for three-and-a-half-years for giving a £900,000 computer contract in exchange for an £80,000 bribe. (BBC 6 Jan) The Nacala airport bribe was 0.4% of the value of the contract and the "high level official" received only \$250,000 (0.1%) to saddle Mozambique with a \$216.5 mn debt. In contrast, Peter

Lewis' bribe was 8.4%. The LAM-Embraer bribe, \$800,000 on a \$65 million contract, was paid to a company named Xihevele, the Shangana word for "steal a lot", but it was not a lot - only 1.2% of the contract value. All of which confirms just how little it costs to bribe Mozambican officials. *jh*

The key documents in English, are on

<https://www.justice.gov/opa/pr/odebrecht-and-braskem-plead-guilty-and-agree-pay-least-35-billion-global-penalties-resolve>

<https://www.justice.gov/opa/press-release/file/919916/download>

<https://www.justice.gov/opa/press-release/file/919911/download>

and in Portuguese in @Verdade: <http://www.verdade.co.mz/tema-de-fundo/35-themadefundo/60605-odebrecht-admite-ter-pago-900-mil-dolares-em-subornos-a-funcionarios-do-governo-de-mocambique-durante-mandato-de-guebuza>

## Putin's \$2 billion shows how it is done

The "Panama papers" leak of millions of documents from the database of Mossack Fonseca, the world's fourth biggest offshore law firm, showed how Russia's president, Vladimir Putin, was able to hide \$2 billion in secret accounts and companies. Although the president's name does not appear in any of the records, the data reveals a pattern – his friends earned millions of dollars from deals that seemingly could not have been secured without Putin's patronage, and then his friends' fortunes appeared his to spend.

The offshore trail starts in Panama and goes through Russia, Switzerland and Cyprus – and includes Russian banks and offshore companies. Loans were made to friends at low interest rates and perhaps without repayment, or at very high interest rates payable into Swiss bank accounts. Multi-million dollar fees were paid for consultancy or to compensate for alleged cancelled share deals. <https://www.theguardian.com/news/2016/apr/03/panama-papers-money-hidden-offshore>

It is a reminder of just how difficult the task will be for Kroll as it tries to chase the \$2 bn in secret loans to Mozambique made under the presidency of Armando Guebuza. *jh*

**Africa loses \$150 billion annually to illicit flows**, as the elite uses complex webs of sham corporations, according to recent research. The Panama papers show how these companies are registered in tax havens, two of which - Seychelles and Madeira - are important for Mozambique. The three main African tax havens are the Seychelles, where a number of companies active in Mozambique are registered, as well as Liberia and Mauritius. Madeira has become an important tax haven for Portuguese-linked companies. [http://iffodatabase.trustafrica.org/iff/The myth of the Offshore How Africa lost \\$1 Trillion to tax havens.pdf](http://iffodatabase.trustafrica.org/iff/The%20myth%20of%20the%20Offshore%20How%20Africa%20lost%20$1%20Trillion%20to%20tax%20havens.pdf)

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"Mozambique News Reports & Clippings, number XXX", DATE, [bit.ly/mozamb](http://bit.ly/mozamb), accessed XXX.

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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>

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## 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: [kapicudir@tdm.co.mz](mailto:kapicudir@tdm.co.mz) / [kapicuacom@tdm.co.mz](mailto:kapicuacom@tdm.co.mz)  
Outside Mozambique, we have a few copies we can send from London. Please e-mail [j.hanlon@open.ac.uk](mailto: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](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](http://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](http://www.jornalnoticias.co.mz)
- O País: [www.opais.co.mz](http://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](http://www.poptel.org.uk/mozambique-news)

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