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United Arab Emirates (UAE)-based shipbuilding company Prinvest claims President Filipe Nyusi (2019-present) was paid \$1m in the \$2 billion secret loan scandal and that he was “at the heart of the matters” in Mozambique’s lawsuit against Prinvest and Switzerland-based financial service provider Credit Suisse. United States (US)-based investigative media outlet Open Secrets accuses Credit Suisse of enabling mega-looting and state capture in Mozambique, arguing the bank knew that Mozambique would not be able to repay the loans. Mozambique drops three places in Germany-based Transparency International’s 2020 Corruption Perceptions Index, falling to 149th out of 180 countries surveyed. Its score of 25 is below the sub-Saharan Africa average of 32. President Nyusi expresses hope at the opening ceremony of the African Union (AU) 34th summit that the AU will show “firm intent” in fighting terrorism in Cabo Delgado Province as France-based Total SA mulls moving more of its LNG operations to the French island of Mayotte. Mozambique records 20,012 new Covid-19 cases in January, doubling its cumulative 2020 total of confirmed cases and deaths. Banco de Moçambique (central bank) increases its key interest rates, the first central bank globally to do so in 2021.

Nyusi drawn into secret debt scandal...

A lawsuit filed in the **High Court of Justice in London (United Kingdom) (UK)** has implicated President **Filipe Nyusi** (2019-present) in **Mozambique’s** \$2 billion secret loan scandal. If proved true, the allegations may have serious implications for Nyusi’s presidency. **United Arab Emirates (UAE)-based shipbuilding company Prinvest Shipbuilding** and its **French-Lebanese** billionaire founder **Iskandar Safa** stated in their 15 January filing at **London’s** High Court that Prinvest made payments of \$1m to Nyusi in what has come to be known as the “*\$2 billion secret loans scandal*”.¹ Mozambique borrowed \$2 billion between 2013 and 2014 to fund tuna fishing, maritime security and shipbuilding projects in which Prinvest was the sole contractor. **Switzerland-based** financial service provider **Credit Suisse** and **Russia-based** investment bank **VTB Capital**, majority owned by the Russian state, provided and arranged the loans. Nyusi was defence minister at the time of the project arrangements.²

The Prinvest filing is a response to a lawsuit that the Mozambique government filed in 2019 against Prinvest, Credit Suisse and other defendants to seek compensation and recovery of loan funds. In its filing, Prinvest states that payments made to the ruling **Frente de Libertação de Moçambique (Frelimo)** party and Filipe Nyusi in the run-up to his election were allowed under Mozambican law and that “*no claim of bribery*” could be made. The filing further stated:

*“If there was any such conspiracy, President Nyusi (...) was fully aware of, and/or participated, in it, and indeed was at the heart of the matters now complained of by the Republic.”*³

Nyusi and Frelimo spokesperson **Caifadine Manasse** state that any campaign donations were in line with the law and that the president had “*no possible relation to the illegal debt*”.⁴ The Mozambican government has claimed that the maritime projects were fraudulent because Prinvest paid bribes to then finance minister **Manuel Chang**, who has been in custody in **South Africa** for more than two

¹ Reuters, 3 Feb 2021

² Reuters, 3 Feb 2021

³ Reuters, 3 Feb 2021

⁴ Reuters, 3 Feb 2021

years waiting for the country to decide whether to extradite him to Mozambique or the **United States (US)**.⁵ Prinvest argues that if the money paid to Chang constituted bribes, then Nyusi is guilty as well.⁶

“We have yet to see what comes of these allegations as Prinvest is seeking to clear its own name in the debt scandal.”⁷

An independent audit by US-based corporate investigative firm **Kroll** found that Prinvest had inflated the prices of the vessels they were providing in the maritime projects, quoting them at \$22m when they were worth \$2m.⁸ US-based investigative media outlet **Open Secrets** has also accused Prinvest of using Credit Suisse bankers to coordinate kickbacks for themselves and paying lower fees on the loan for the maritime projects (see below).⁹

Whether or not President Nyusi was involved in the \$2 billion secret debt scandal, he and Frelimo will have to prove their innocence in court. Prinvest is claiming that Nyusi as defence minister at the time was fully aware of and participated in *“the heart of the matters now complained of by the Republic”* and that he was involved in the conception of the maritime projects.¹⁰ If the president is unable to prove his innocence, his legitimacy may be at stake.

... as Credit Suisse is accused of enabling mega-looting

In further developments in the secret loans scandal, US-based investigative media outlet Open Secrets on 8 February released a repository of documents pointing to Credit Suisse’s role as an enabler of mega-looting and state capture in Mozambique by signing loan agreements the bank knew Mozambique could not repay.¹¹ In 2019 three senior Credit Suisse bankers, **Surjan Singh, Andrew Pearce** and **Detelina Subeva**, pleaded guilty to conspiracy to violate US anti-bribery laws and commit money laundering.¹² Mozambican and US authorities claim Credit Suisse should be held accountable for the fraud.¹³ However, Credit Suisse states that the defendants hid their contacts from the bank.¹⁴

The \$2 billion loan for the maritime projects was a scheme to generate kickbacks for politicians and bankers. Former President **Armando Guebuza** (2005-2015), Chang and senior state official **António Carlos do Rosário** coordinated the project within the Mozambican government.¹⁵ They maintain that the loans were for the benefit of the Mozambican people, although the officials are estimated to have received \$200m in kickbacks.¹⁶

Evidence indicates that Credit Suisse did not conduct proper due diligence before providing the loans to the Mozambican government, such as ensuring that the loans had received parliamentary approval. Furthermore, the Kroll report accuses the bank of predatory lending, as analysis of the anticipated revenue stream and annual loan repayments showed that Mozambique would not be able to repay the loan. According to the Kroll report, the maritime projects were to generate \$200m a year, and the loan repayment was \$260m a year. According to these numbers, default was guaranteed.¹⁷ The consequence of *“default”* in repaying the loan was the mortgaging of the country’s assets:

⁵ Bloomberg, 31 Jan 2021

⁶ Bloomberg, 31 Jan 2021

⁷ ARC source diplomatic, Maputo

⁸ The Africa Report, 26 Jun 2018

⁹ Daily Maverick, 9 Feb 2021

¹⁰ Prinvest Defence, accessed 8 Feb 2021

¹¹ Daily maverick, 9 Feb 2021

¹² Daily Maverick, 9 Feb 2021

¹³ Daily Maverick, 9 Feb 2021

¹⁴ Reuters, 3 Feb 2021

¹⁵ Daily Maverick, 9 Feb 2021

¹⁶ Daily Maverick, 9 Feb 2021

¹⁷ Daily Maverick, 9 Feb 2021

“What is clear is that the debt scandal is making the people of Mozambique even more vulnerable and it has had a devastating impact on the Mozambican economy.”¹⁸

The economic crisis that followed the debt scandal saw Mozambique’s currency plummet by 70% and GDP growth rate fall from 6.7% to 3.8%.¹⁹ The victims of the debt crisis continue to be the Mozambican people, who had no say over the loans and indeed no knowledge of them, since parliament had no oversight of the agreements. A coalition of 20 civil society groups, **Forúm de Monitoria do Orçamento (FMO)** (budget monitoring forum), is seeking to declare the loans illegal and claims that the people of Mozambique *“should not have to repay one cent.”*²⁰

Corruption continues to be a significant problem in Mozambique. **Germany**-based non-governmental organisation **Transparency International (TI)** in its **2020 Corruption Perceptions Index (CPI)**, published on 28 January, attributed a score of 25 to Mozambique, one point lower than its 2019 CPI ranking. The CPI scores 180 countries and territories on their *“perceived levels of public sector corruption”*, with zero being *“highly corrupt”* and 100 being *“very clean”*.²¹ After an impressive seven-point improvement in its 2019 ranking, Mozambique dropped three places in the latest CPI.

TI CPI Rankings for Mozambique ²²					
	2020	2019	2018	2017	2016
Ranking	149/180	146/180	153/180	153/180	142/176
Score	25	26	23	25	27

Mozambique continues to compare unfavourably with some its regional peers (see *ARC Briefing Mozambique February 2020*), and scores below the **sub-Saharan African** average of 32 points. It ranks below neighbouring South Africa (44 points, 69th place) and **Tanzania** (38 points, 94th place), the same as **Madagascar** (25 points, 149th place) and above **Zimbabwe** (24 points, 157th place).

TI 2020 CPI Rankings: Regional comparison ²³					
	Mozambique	Madagascar	South Africa	Tanzania	Zimbabwe
Ranking	149/180	149/180	69/180	94/180	157/180
Score	25	25	44	38	24

The 2020 CPI rankings come before the conclusion of Mozambique’s \$2 billion debt scandal court cases. The outcomes of the court cases are likely to impact the country’s ranking as Mozambican stakeholders adjust their perceptions of their government’s ability and efforts to fight corruption.

Humanitarian crisis mounts in Cabo Delgado as Total eyes alternatives ...

President Nyusi has highlighted the seriousness of terrorist attacks in northern Mozambique and called for regional support to address the crisis. Speaking at the opening session of the 34th summit of the **African Union (AU)** on 6 February, President Nyusi said he hoped that the AU would show *“firm intent”* in fighting against terrorism in **Cabo Delgado Province**.²⁴ The insurgency violence in northern Mozambique has resulted in 2,578 fatalities since October 2017. US-based **Armed Conflict Location & Event Data Group (ACLED)**, tracking the conflict weekly, reports that approximately 776 organised violent events have taken place over the course of the conflict, resulting in the death of

¹⁸ ARC source diplomatic, Maputo

¹⁹ Daily Maverick, 9 Feb 2021

²⁰ Reuters, 12 May 2020

²¹ Transparency International’s 2020 CPI Report

²² www.transparency.org

²³ www.transparency.org

²⁴ Club of Mozambique, 8 Feb 2021

1,305 civilians.²⁵ The AU has yet to comment on its support in the increasing violent crisis in Mozambique. In his speech, Nyusi stated:

“With regard to the challenges in the area of peace and security, allow me to stress the threat of terrorism and violent radicalism, of which my country has been a victim.”²⁶

The violent conflict has caused a humanitarian crisis, displacing more than 560,000 people mainly concentrated in the provincial capital, **Pemba**. Between 2 and 6 February military escorts accompanied 44 vehicles carrying food from **Nangade** to **Palma** town.²⁷ The town has been completely cut off from the south of Mozambique amidst frequent insurgency attacks along the roads. Food prices have increased as supplies become scarce. Rice increased in cost from \$1.59 per kg to \$3.19 per kg between 29 January and 1 February alone, while some residents have attempted to brave the dangerous journey by road to reach Nangade in search of food.²⁸

The violent attacks in Cabo Delgado are having a significant impact on Mozambique’s liquefied natural gas (LNG) project, with **France**-based **Total SA** demanding better protection for its LNG project site in **Afungi**. Total CEO **Patrick Pouyanne** flew to **Maputo** on 18 January to meet with President Nyusi to discuss the implementation of the project and the continued threat of violent attacks.²⁹ Total evacuated most of its staff from the Afungi site in January following **Islamic State (IS)**-affiliated attacks near the LNG projects (see *ARC Briefing Mozambique January 2021*). Total is now transferring some of its logistics chain from Cabo Delgado to the French island of **Mayotte**, 500 km east of Pemba,³⁰ and is reportedly considering moving some of its operations from Palma and Pemba to Mayotte.³¹

Although Total will still need to build its LNG trains on Afungi, the possible move of some of its operations to Mayotte could affect Mozambique’s expected revenue from the projects. Total claims it will keep its main base in Pemba and will continue to meet its objectives for the local population,³² but the prospect is nevertheless of concern to the government. It will need to convince Total that it is taking the security threat seriously enough for the company to keep its operations on Mozambican soil.

Covid-19 cases surge in January ...

Mozambique is fighting a serious battle on a second front – **Covid-19** – and has just lost a key general in the fight against the insurgency to the disease. Chief of general staff and head of the **Forças de Defesa e Segurança (FDS)** (defence and security forces) in Cabo Delgado **Eugénio Mussa** died from Covid-19 on 8 February. President Nyusi praised Mussa at his funeral in Maputo on 9 February for his role in fighting the insurgency groups in Cabo Delgado and his role in the implementation of the 1992 peace agreement between ruling Frelimo and main opposition **Renamo**, and directing the disarmament, demobilisation and reintegration (DDR) process of the 2019 peace agreement.³³ Nyusi had only recently appointed Mussa as chief of general staff, on 20 January.

Mozambique saw a surge in Covid-19 cases in January, with 20, 012 cases reported, making up 53% of all cases reported in Mozambique to date.³⁴ There were 201 Covid-related deaths recorded in January, doubling Mozambique’s total Covid deaths in all of 2020.³⁵ The health ministry recorded 873 new Covid-19 cases in Mozambique’s population of roughly 31.5 million on 9 February, bringing the

²⁵ ACLED, accessed 8 Feb 2021

²⁶ Club of Mozambique, 8 Feb 2021

²⁷ ACLED, accessed 10 Feb 2021

²⁸ ACLED, accessed 10 Feb 2021

²⁹ O Pais, 21 Jan 2021

³⁰ AIM, 28 Jan 2021

³¹ Africa Intelligence, 26 Jan 2021

³² AIM, 28 Jan 2021

³³ Lusa, 9 Feb 2021

³⁴ Club of Mozambique, 8 Feb 2021

³⁵ Club of Mozambique, 8 Feb 2021

cumulative total of confirmed cases to 45,785, with 27,438 recoveries and 480 deaths.³⁶ A large majority – 81% – of the new cases were recorded in Maputo. The current rate of infections is putting a strain on hospitals. Public hospitals in the Greater Maputo region have reached 100% in-patient capacity while private hospitals are reporting 80% in-patient capacity.³⁷

President Nyusi announced on 5 February a curfew for the **Greater Maputo** region, including the cities of Maputo, **Matola**, **Marracuene** and **Boane**, to last at least 30 days.³⁸ Curfew takes place between 21:00 and 04:00. There is also a national ban on conferences, religious services and private social events. Beaches and schools remain closed. President Nyusi blamed the spike in cases and deaths in January on poor adherence to previously imposed measures:

*“Mozambique was once an example of managing Covid-19 in **Africa** and we were praised for our ability to stop the first wave of infections from Covid-19 (...) But now we are one of the countries with one of the fastest increases in cases in Africa.”³⁹*

... along with rising interest rates

The **Banco de Moçambique** (central bank) raised its interbank rate to 13.25% from 10.25% on 27 January, becoming the first central bank globally to do so.⁴⁰ The bank based its decision to increase the key interest rate by 300 basis points on a worsening inflation outlook due to increasing Covid-19 infections, recent natural disasters and the violence in Cabo Delgado. This marks the first increase in the key lending rate since it was introduced in 2017. The central bank also increased its permanent lending facility rate to 16.25% from 13.25%.⁴¹

The increase in interest rates came as a surprise. US-based media firm **Bloomberg** notes that although inflation had increased to a 10-month high in December 2020, it was still low compared to other countries in the region and real interest rates were positive even before the central bank's decision.⁴²

³⁶ Lusa, 9 Feb 2021

³⁷ News24, 5 Feb 2021

³⁸ News24, 5 Feb 2021

³⁹ News24, 5 Feb 2021

⁴⁰ Bloomberg, 27 Jan 2021

⁴¹ Bloomberg, 27 Jan 2021

⁴² Bloomberg, 27 Jan 2021

Planner

21-22 Apr 2021 **Maputo (Mozambique)** 7th edition of the Mining, Oil, Gas & Energy Conference and Exhibition (MMEC) organized by AME Trade Ltd, attendance on site or online;

Early 2022 **(Mozambique) United States**-based multinational oil and gas corporation **ExxonMobil**'s final investment decision on **Rovuma Basin** project expected;

2023 **(Mozambique)** Local elections;

2024 **(Mozambique) Area 1** LNG production expected to commence;

2024 **(Mozambique)** Provincial and presidential elections;

Chronology

8 Feb 2021 **Maputo (Mozambique)** *Open Secrets*. Investigative media outlet **Open Secrets** releases repository of documents that point to **Switzerland**-based financial services provider **Credit Suisse**'s role as an enabler of mega-looting and **State Capture** in **Mozambique**;

6 Feb 2021 **(Africa) AU. Democratic Republic of the Congo** President **Félix Tshisekedi** takes over **African Union** chair from **South Africa**'s President **Cyril Ramaphosa**;

3 Feb 2021 **(Africa) Engineering News**. **Africa**-focused industrial parks developer and operator **Arise Integrated Industrial Platforms**' co-founder, **Gagan Gupta**, announces the creation of an advisory board, which includes former **Goldman Sachs sub-Saharan Africa** CEO **Colin Coleman**;

1 Feb 2021 **Maputo (Mozambique)** *Daily Maverick*. Government set to deport journalist **Tom Bowker**, a reputable source covering the conflict in northern **Mozambique**;

31 Jan 2021 **Maputo (Mozambique)** *Bloomberg*. **United Arab Emirates (UAE)**-based shipbuilding company **Prinvest** and its founder, **Iskandar Safa**, place President **Filipe Nyusi** at the centre of **Mozambique**'s \$2-billion debt scandal;

28 Jan 2021 **(Africa) WHO. World Health Organisation** says variant of the **coronavirus** first identified in **South Africa** is driving record numbers of infections and deaths as it spreads across **Africa**, and that it expects to see at least 30% of **Africa** immunised by the end of 2021;

27 Jan 2021 **(Africa) Africa Global Funds**. **Africa** last year recorded its highest level of project financing in a decade in terms of investment value, with 28 deals totalling \$30.07 billion reaching financial close;

27 Jan 2021 **Maputo (Mozambique)** *Bloomberg*. **Banco de Moçambique** (central bank) raises its interbank rate to 13.25% from 10.25%, becoming the first globally to raise interest rates this year in a surprise move, saying the increasing number of **coronavirus** infections and recent natural disasters worsened the inflation outlook;

26 Jan 2021 **(Africa) World Economic Forum**. A **World Economic Forum** report highlights the continent's motor industry as a model for **African** trade and industrial integration.

26 Jan 2021 **Maputo (Mozambique)** *UN News*. **United Nations** agencies ramp up efforts to help communities in **Mozambique** hit hard by **Tropical Cyclone Eloise**, which caused severe flooding and disruption through the country three weeks after **Tropical Storm Chalane**;

19 Jan 2021 **(Africa) CDC Group**. **United Kingdom**-based development finance institution **CDC Group** announces a \$100m debt commitment to multilateral development financial institution **Eastern and Southern African Trade and Development Bank**;

19 Jan 2021 **(Africa) Engineering News**. **Qatar** part state-owned **Kasada Capital Management**, through debut fund **Kasada Hospitality Fund**, acquires a portfolio of eight **sub-Saharan**

African hotels from France-based investment manager AccorInvest;

11 Jan 2021 **(Africa) AfDB**. Multilateral development finance institution **African Development Bank** pledges to mobilise \$6.5 billion in support of Africa's **Great Green Wall**, a flagship initiative led by the **African Union** to combat increasing desertification in the region;

About Africa Risk Consulting:

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ARC's core consulting services include integrity due diligence and corporate investigations, political advisory and country assessments, opportunity monitoring and reputation risk management. Most relevant to private equity firms is ARC's integrity due diligence and corporate investigations capability. Specifically, ARC offers pre-deal integrity checks to highlight red flags before negotiations start; full detailed multi-jurisdictional reputation due diligence; and supplier and senior hire vetting and repeat due diligence for compliance programmes. ARC is unique in that it offers a 10-day delivery for a routine integrity due diligence. ARC also offers a suite of corporate investigations services from immediate investigation, evidence gathering, e-discovery, forensic accounting and whistleblower support on one end to crisis media management and regular monitoring on the other.

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