



MOZAMBIQUE FLASH-NOTE [UPDATED]

Previewing the Kroll report

As previously reported, the long-awaited **Kroll audit was submitted to the Attorney-General¹ on May 12th** and promptly shared with the IMF and the Swedish government – which, respectively, had insisted on the forensic audit, and undertaken to assume its costs. This marked the start of **a 90-day ‘grace’ period²** upon whose conclusion the Mozambican authorities will be required to publish a version of the report with the names of any identified individuals redacted.

At the IMF’s insistence, the government is due to issue **an executive summary³** by the end of this month. However, the indications are that neither **publication is likely to produce any dramatic revelations.⁴**

1) The first point to note is that the **government has greeted the Kroll report with total equanimity.** President Nyusi’s⁵ pious declaration, that the audit’s findings would “help improve transparency in Mozambique’s public accounts”, spoke volumes in this regard.

This being Maputo, details of the report’s findings have already begun to circulate on social media. The **initial leaks strongly suggest that the forensic exercise has failed to implicate any members of the nomenclatura** in the giant fraud behind the ‘secret’ loans.

2) Interestingly enough, the first glimpse of the Kroll report was circulated by the country’s most notorious convict and current fugitive, Momad Assife Abdul (“Nini”) Satar⁶, who posted several banal excerpts from the unredacted document on his [Facebook page](#) as a direct riposte to the international warrant issued for his arrest on April 27th.

Given **Satar’s** obvious intention to embarrass the Attorney-General - he **would certainly have highlighted any details that implicated officials** of the government or the ruling party.

3) The absence of any such details would appear to support one’s long-standing prognosis that Kroll’s earnest endeavours would run into **the notorious ‘Maputo stone-wall’** that has foiled many a previous international investigation⁷. The indications are that **crucial information has been studiously withheld** – hence the repeated extensions of the deadline for completion – amid such **elaborate red herrings** as the Attorney-General’s April 28th instruction to local banks to release bank records for a total of 21 individuals⁸, including former President Guebuza as well as two of his sons and several members of his inner circle.

¹ Notionally the client that had commissioned the forensic audit as part of its own putative investigation into the secret loans.

² Ostensibly to verify that the report is in compliance with the audit’s terms of reference.

³ Presumably this will also be redacted.

⁴ *Indeed, the line already circulating on Maputo’s social media is, “A Kroll vai parir um ratinho [The Kroll report - that 450 pp. colossus - will give birth to (the equivalent of) a mouse]”*

⁵ As will be recalled, at the time when the ProIndicus, EMATUM and MAM companies were created and funded Nyusi occupied the post of defence minister in the government of then President Guebuza. The defence ministry held a controlling interest in each of the three SPCs.

⁶ Convicted of conspiring to loot the state-owned Banco Comercial de Moçambique in 1996, he still managed to avoid a custodial sentence. Six years later, he was convicted of master-minding the assassination of Carlos Cardoso, the country’s foremost investigative journalist, who had been digging into another massive fraud, at Banco Austral, in which Satar and his associates were implicated. Sentenced to a term of 24 years, he was inexplicably released on parole in 2014. Shortly thereafter, in a clear, the terms of his parole agreement were modified to permit him “to seek medical treatment” abroad. He has remained at large ever since.

4) Previously reliable sources now report⁹ that one of the explanations officials have provided to Kroll is that the reallocation of resources from the EMATUM fishing venture was prompted by the **need to confront the insurgency** then being waged by the armed wing of RENAMO, the main opposition party(!) Another equally far-fetched claim made by officials is that a significant portion of the secret **loans' proceeds were used to pay down existing foreign debt(!)**

5) For market participants, the key question is, **how will the official sector react** to Kroll's incomplete findings? In our view they will adopt a glass-half-full position. Heartened by the structural reforms implemented over the last few months¹⁰ as well as the cease-fire that has officially ended the insurgency by RENAMO's armed wing, **Mozambique's donors will be looking to turn the page** and resume the financial support they froze 13 months ago.

What this means is that Mozambique's long-suffering **bond-holders are now effectively on their own**¹¹. It will have come as cold comfort for them to see the Republic default on yet another payment of interest and principal that fell due on the MAM loan on May 21st.

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Epilogue - June 1st

6) The executive **summary failed to materialize yesterday**. The alleged bottle-neck is that *"the Attorney General is still verifying certain elements"* in the full Kroll report - on its face **a farcical explanation**, given the extremely limited scope of the verification exercise. (See Footnote 2, above)

7) However, even though no new date has been set for publication, **the IMF is clearly unfazed**, with the Staff privately expressing confidence that *"the summary will be published in due course (sic)"*. This remarkable nonchalance reinforces our view that **the official sector has decided to draw a line under the entire "secret loans" episode**.

One month ago, two of his known associates who had been convicted in connection with a series of kidnappings for ransom were 'sprung' from jail in a spectacular raid that Satar has been formally accused of masterminding. The Attorney-General issued an international warrant for his arrest on April 25th.

⁷ The most memorable example arose in the context of the massive fraud that triggered the 2001 collapse of Banco Austral. On Aug. 11, Antonio Siba-Siba Macuacua, the central bank's director for banking supervision who had been appointed as interim CEO of Banco Austral was found at the foot of the 15-floor stair-well. He had been trying to recover more than USD 150 million looted from the bank – inter alia through fraudulent loans to politically exposed persons. Although Mozambique's donors subsequently insisted on a forensic audit, no suspects were ever prosecuted for either the bank fraud or Siba-Siba's murder.

⁸ Since it has been public knowledge that 100% of the aggregate proceeds from the three 'secret loans' had been disbursed to an offshore entity, this demarche was a transparent charade.

⁹ The said sources have promised to post the relevant passages online.

¹⁰ I.e. the removal of subsidies on flour and transport costs.

¹¹ This is all the more so in view of the IMF's insistence on the need to reduce the Republic's debt ratio from 120% to "sustainable" levels.

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