

# THE PLUNDER ROUTE TO PANAMA

How African oligarchs  
steal from their countries

# THE PLUNDER ROUTE TO PANAMA

The Panama Papers project last year revealed that there are quite a few African politicians, their relatives and friends among those who have stored hidden wealth in off-shore bank accounts.

But how did the money get there?

An investigation by the African Investigative Publishing Collective in partnership with Africa Uncensored and ZAM.

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# 1 INTRODUCTION

When Canadian mining company First Quantum wanted to pay due tax of sixty million dollars on its copper mining operation in the DRC in 2009, it was told to pay the tax director four million, pass six million to the government and keep the rest. “Because no one here pays tax.” After the company had refused to conduct business that way it saw itself accused of ‘misconduct.’ The mine was seized and sold on to Israeli mining tycoon Dan Gertler, a good friend of the DRC’s ruling elite and nicknamed ‘Mr Grab.’ Last year, Gertler’s name was found more than two hundred times in connection with off-shore bank accounts in tax havens in the groundbreaking ‘Panama Papers’ project. So was the name of Jaynet Kabila, the twin sister of DRC president Joseph Kabila.

It was because of stories like the one about First Quantum, and because of the Panama Papers, that we decided to take a closer look at African political leaders’ behaviour with regard to their own countries’ resources. International reports and activist groups had often focused on multinationals which were shipping resources out of Africa, but was that focus complete? Were our leaders simply weak and bribe-able, or more complicit than that?

We looked in seven countries at African leaders’ roles in sectors of the economy and the state where they, and not the private sector, were in control. Togo’s nationalised phosphate resources, for example, should have ‘economically liberated’ its people. But we found that Togo’s president sells the resource under the market price to shady shippers. In Mozambique, villagers are violently removed from ruby fields licensed to generals and ministers.

State budgets are used to build skyscrapers for the ruling party whilst people go hungry in Rwanda. Foreign currency controlled by the Burundi presidency

is earmarked for certain companies, creating shortages and damaging the economy. Botswana’s president helps take tourism profits to off-shore tax havens. The looting by South African President Zuma has seen losses of up to, and presumably over, US\$ seven billion in taxpayers’ money transferred to private bank accounts in Dubai. Recent investigative projects by the Premium Times in Nigeria, Makaangola in Angola, and Global Witness in the DRC and Zimbabwe have unearthed similar looting-by-political-elite in these countries.

**“They own these houses but they don’t live here”**

The question why African oligarchs behave this way whilst their people in some cases are literally starving, is perhaps best left to African authors and philosophers. One can speculate that maybe, in the race to power after the devastation of colonialism, the ones with the sharpest elbows won. Or maybe the lack of checks and balances allows unethical leaders to exploit the situation together with criminals. But what we unearthed indicates that these elites have, to some extent, morphed into the very colonialist plunder structures that they replaced. One of us, noting giant potholes in Kinshasa’s richest suburb, asked why the rich didn’t even seem to care about their own streets. “They own these houses but they don’t live here,” the local team member responded. “They live in France.”

## 2 TOGO

### THE PRESIDENTS' FRIENDS HANDLE THE PHOSPHATES

“I don’t know why these people are here,” board chairman Ignace Klomégah of the *Société Nouvelle des Phosphates du Togo* (SNPT), says nervously when caught in the corridors of Lomé’s Ecobank. “They were here when I started. The president put them there.” Refusing to answer any more questions, he disappears in one of the passages of the bank.

“They” are the Moroccan-Israeli father-and-son-couple of Raphael and Liron Edery, who administer Togo’s main mineral resource, phosphate, from the offices of President Faure Gnassingbé. From there, the president and his friends sell the countries phosphates to “whomever they want and at which price they want,” say sources within the company. But even our contacts say they don’t know how much phosphate the country actually produces annually. “Only the SNPT has access to the countries’ phosphate production figures,” says a report from Extractive Industries Transparency Initiative, EITI (1).

All that the citizens of Togo know is that the phosphate, nationalised in 1974 as a grand gesture of ‘economic liberation’ by President Gnassingbé (senior, the father of the current president) at the time, has been managed not by ‘the people,’ but by the Gnassingbés: first by *papa*, who took the reins of the country seven

years after independence by shooting his predecessor in 1967, now by  *fils* Faure Gnassingbé. Phosphate manager Raphael Edery controls the resource from the president’s office, son Liron Edery helps from the office of the SNPT in Paris. (Nobody knows why the SNPT has an office in Paris since according to export data, Togo doesn’t sell phosphates to that country. “But every former French colony’s state enterprise has an office in Paris, in the Marais,” says a South African anti-corruption expert whose work has taken him to many places in the West where African elites like to hang out.)

## The shippers don’t have an email address

It is known, however, who the main buyers of Togo’s phosphates are: a family of Indian shippers called Gupta and their company Kalyan. According to company sales sheets over 2016 and 2017 the father-and-son venture of Ashok and son Amit Gupta buys close to ninety percent of Togo’s phosphates. The company web entry by the *Société Nouvelle des Phosphates du Togo* calls them their “privileged clients (2).” Ashok Gupta also used to be the director of Getax, an Australian enterprise incorporated in tax-friendly

*Kalyan does almost all the shipping of phosphates from Togo*



Singapore, now under investigation by the Australian Federal Police (3) for bribing of politicians in exchange for the phosphate resources of the Pacific Island nation Nauru. (According to Australian news reports (4) they obtained these for less than the market price, US\$ 43 per tonne at a time when the world market price was US\$ 400.)

When we tried to contact Getax for comment, we found its website offline. We then phoned Kalyan's Dubai headquarters to ask for an email address where we could send questions, but three persons we spoke to (and who seemed puzzled at being asked such a question) said they would "have to look for one" and that they would get back to us.

### Bargains

Kalyan buys Togo's phosphates at higher prices than Ashok Gupta's other company, Getax, did in Nauru. According to the SNPT sales sheets we obtained, Kalyan paid Togo's state company an average of US\$ 107 per tonne in 2015. This is however still below market price, which in that year varied between US\$ 115 and US\$ 120 per tonne. Remarkably, Australian import-

ers, including Getax, got the phosphates still more cheaply. According to UN international trade statistics (5) they bought the resource from Togo at a bargain price of US\$ 100 per tonne in the same year. In comparison, Australian buyers of Moroccan phosphates paid US\$ 166 per tonne.

Sadly for Ashok Gupta, his bid -through Getax, together with Getax partner and Indian client Coromandel- last year to exploit the vast phosphates resources not yet mined by the SNPT failed (more about who did get the contract below.) But the Ashok Gupta family did get a consolation price. A new hotel, the 2 Février Radisson Blu, rising mightily over the capital Lomé, has been funded with in majority a West African Development Bank loan and Togo state funds. Ashok Gupta's family now runs the hotel of choice for West Africa's multimillion dollar traders, dealers and politicians, where room rates per night start at around US\$ 200 -two months' salary for most Togolese- up to US\$ 1800 for the more upmarket suites. The 2 Février is also the president's newest prestige venue: he addresses conferences and international partners here.

Components	Tax incl. Amount XOF'M	Equity	BOAD	Co- financiers
Preliminary costs	6,703	6,703		
<i>including interim interests</i>	<i>1,691</i>	<i>1,691</i>		
<i>including advance lease payments</i>	<i>3,280</i>	<i>3,280</i>		
<i>include ESMP</i>	<i>72</i>	<i>72</i>		
Control and monitoring of works	392	392		
Constructions and rehabilitations (EPC)	32,450	4,450	10,000	18,000
Operation supplies and equipment	1,300	1,300		
Pre-opening budget (Radisson contract)	1,043	1,043		
Need for working capital	262	262		
Contingencies (5% construction and equip.)	2,050	2,050		
<b>TOTAL</b>	<b>44,200</b>	<b>16,200</b>	<b>10,000</b>	<b>18,000</b>
%	<b>100%</b>	<b>36.66%</b>	<b>22.62%</b>	<b>40.72%</b>

The breakdown of investment inputs in West African francs for the hotel is US\$ 18 million (West African Development Bank, interest rate unknown) the state of Togo (US 33 million) and the Gupta family US\$ 29 million (under 'equity.')

(Source: West African Development Bank)



*The 2 Février Radisson Blu hotel in Lomé*

### **Sudden deaths**

One would think that Togo's president, if he was serious about the country's minerals 'economically liberating' his people, would want to sell its resources at a better price, if only to create better conditions for the workers in the phosphate mines. According to complaints that have led to recent strikes, these workers have not had access to medical check-ups in three years. "We have had 'sudden death' cases where workers die after only five hours in hospital. Such deaths could have been avoided if we would have known our health status in time," says one of the sources in the Kpémé mine located forty kilometers west of the capital. Phosphate mining is associated with increased risks of cancer due to inhalation of heavy metals present in mine dust.

The reason for the lack of medical care, as well as for the mineworkers starvation salaries, pegged at US\$ 117 per month, has been given by the SNPT as 'lack of resources.' The lack of resources doesn't, however, seem to affect the living conditions of top management, including the Edery's, other (mainly Israeli)

expats and company president Michel Kézie who have the benefit of chauffeur-driven luxury cars, houses in the best suburbs of Lomé, and all-expenses paid trips.

### **Security from Israel**

The reason why father and son Edery and their top layer of Israeli managers run Togo's state phosphate company in the first place, may lie in their connections with the Israeli phosphates and fertiliser sector. With its 'greening the desert' expertise and ideology, Israel is one of the dominant forces in this sector

## **The family now runs the hotel**

worldwide and therefore needs a lot of access to phosphates. Which it -in addition to the SNPT reserves- got, in September 2015, when Togo allocated the exploitation of the total phosphates resource -estimated worth over US\$ 28 billion, way too much for SNPT to mine by itself- to Israel's Elenitlo in partnership with China's Wengfu, reportedly at the behest of Raphael Edery (6).

Elenilto is not known for good resource governance. In a previous deal with Liberia it reneged on its promises to the country, was inactive for years and then sold its mining license to another company for an over US\$ 120 million profit without ever having paid Liberia the agreed fee or taxes (7). Its owner, billionaire Jacob Engel, was mentioned in the Panama Papers as a holder of off-shore bank accounts (8) Ties between Israel and Togo have become tighter in

## The protesters wonder if they are the “terrorists”

recent years. They were about to culminate in an Africa-Israel summit (9) in October this year, but the summit was delayed indefinitely in September 2017, at the time of protests by thousands of people in the streets of Togo demanding the demise of the autocratic Gnassingbé dynasty. “A good thing too,” commented one protestor. “The summit was to discuss terrorism and security. We were worried that Israel might equip the regime with more means to oppress us, since they probably see us as terrorists.”

### NOTES

- (1) EITI news report <https://eiti.org/news/behind-scenes-of-togos-exports>
- (2) Winne company website <http://www.winne.com/country/ssa/togo/2009/cr/cp/sntp/index.php>
- (3) The Australian Federal Police confirmed that the investigation was still ongoing in September 2017.
- (4) ABC Network Australia (among others) <http://www.abc.net.au/7.30/content/2015/s4251115.htm>
- (5) The United Nations International Trade Statistics Database <https://unstats.un.org/unsd/tradekb/Knowledgebase/50075/What-is-UN-Com-trade>
- (6) According to AfricaIntelligence <https://www.africaintelligence.com/AMA/exploration--production/2015/09/22/israel-s-raphy-edery-opens-doors-for-compatriot-elenilto,108092559-ART>
- (7) <http://allafrica.com/stories/201509090827.html>
- (8) <http://www.frontpageafricaonline.com/index.php/politics/408-panama-papers-hook-shady-us-1b-elenilto-liberia-deal>
- (9) <https://www.africaisraelsummit.org/>



*Togo protests, August 2017*

The Société Nouvelle des Phosphates du Togo did not reply to a request for comment. The presidency of Togo could not be contacted. Kalyan in Dubai did not come back to us.

# 3 MOZAMBIQUE

## THE MINING LICENSES ARE FOR THE GENERALS

The mining concession map of Montepuez, drawn up by Mozambique’s mining and energy department in compliance with the international Extractive Industries Transparency Initiative (EITI) requirements, is so completely covered in squares, rectangles and other angularly shaped blocks (see map) that it begs the question where the *people* are going to live. The entire region seems to have been allocated to mining, with only space on the side for a nature reserve. Even zooming in to the maximum does not reveal any space for villages.

Taken together with the statement by British minerals banker Martin Potts, that “the biggest problem is keeping the locals out of it (1),” it becomes clear why Mozambique’s security forces have been out in full force to do precisely that, through forced removals, beatings, killings and general terror, since formal mining started in the area in 2012 (2).

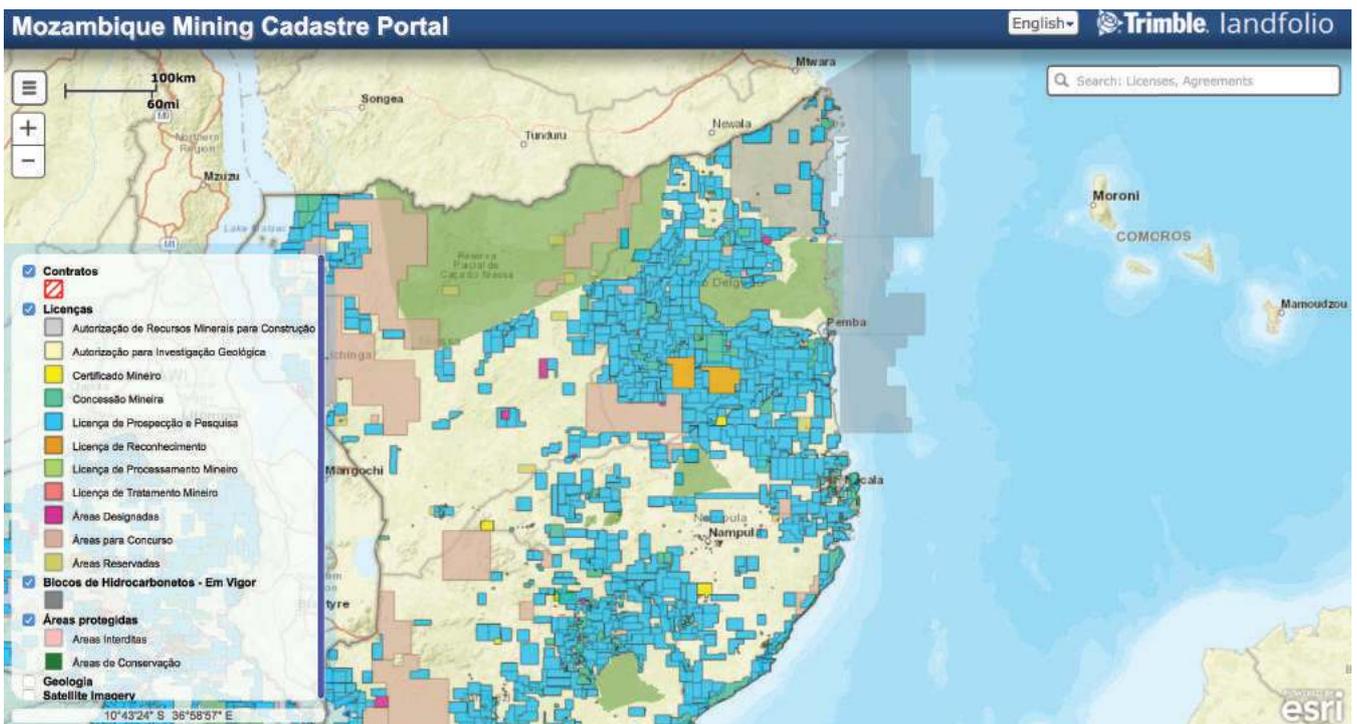
Company papers related to the ruby concessions in the area, show, amid two UK-based and one Austr-

lian gemstone multinational, a list of well-networked, ruling party-connected generals, security supremos, the mayor of Maputo, politicians, former and present high ranking ruling party members. The biggest concession, of Montepuez Ruby Mining aka MRM Gemfields, -the only one that has already been legally

## The general is very generous to his friends

owning, producing and exporting rubies from Mozambique for the past five years-, is partly owned by Mozambican General Raimundo Domingos Pachinuapa, a powerful member of Mozambique’s ruling party, former liberation movement Frelimo (according to Africa Confidential, his wife Maria is a member of Frelimo’s Central Committee.) General Pachinuapa’s company Mwiriti holds twenty-five percent of MRM, of which the other seventy-five percent is owned by UK multinational Gemfields.

Map of Montepuez mining concessions with MRM Gemfields (in orange) in the middle (print screen: Mozambique Mining Cadastre, 17 September 2017)



Pachinuapa also holds a quarter each of Gemfields' other concessions, Megaruma and Eastern Ruby, as well as twenty other licenses of his own for ruby mining in Montepuez. His son Raime is MRM's manager for corporate affairs.

We try to talk with the General, but he doesn't answer to several requests for interviews, comments and responses to questions. The closest we ever come to him is in a bar in Pemba, on an afternoon in 2016, when a lawyer known as 'well-connected', suddenly sits next to our team member and tells him how 'generous' the general is known to be to his 'friends.'

These 'friends' are most likely not the common inhabitants of Montepuez, since no one seems to have been particularly generous to them since mining started. The damage to, in some cases destruction of, villages and farms, has not been compensated by an increase in services to the population -electricity, water, schools, shops-, as promised by the company and its governing elite partners at the time, in 2014. Mining jobs at MRM -eleven hundred, says MRM; much less, say locals- have also not compensated for the loss in



*Artisanal miners in Montepuez, Mozambique (photo Estacio Valoi)*

income experienced by fifteen hundred artisanal mining families in the region. In the early days -before the partnership was formed between Mwiriti and Gemfields to create MRM- these artisanal miners had been selling rubies to the Mwiriti operation. But, according to locals, it had been no more than "two weeks after the arrival of Gemfields" that the artisanal mining associations had been destroyed and the first accounts of violence against artisanal miners by *nacatanas*, militias working for the company (3), was recorded.

*Shops closed after forced removals in Nanhupo, Montepuez (photo Estacio Valoi)*





*Renovations at the Polana Hotel in Maputo, meeting place of the Mozambican elite and international visitors (photo Estacio Valoi)*

### **The tax money disappeared**

‘Formal’ mining is still officially supposed to benefit the Montepuez region. According to provincial financial department administrator Fernando Djange MRM Gemfields has an agreement with the Mozambican state to pay it ten percent of the sales value of each ruby auction in royalties. 2,75 Percent of this is “paid to the Montepuez district in royalties at the end of every budget year,” Djange says. Over nine auctions to date, with according to Gemfields a total revenue of US\$ 288 million, with corporate tax paid as well as US\$ 29 million in royalties, that 2,75 % would amount to over US\$ seven million. Seven million American dollars could do a lot of good in the sparsely populated but very poor district.

Only it never came.

Perusing the budget records at the Cabo Delgado provincial administration, under which Montepuez falls, we only see one input from MRM Gemfields of six million Meticaís (US\$ 100 000) in 2016. Over the other years we can find no such input. “We’ll check

with the finance department,” says Djange, when we ask him about it. “It is definitely there.” But neither he nor the finance department come back to us. When we ask Montepuez district administrator Etelvina Fevereiro (4) if her department ever received the money, she tells us that “we only get it two years after the auction. So the money from the auction in 2017, we’ll get it in 2019.” But two auctions were held in 2014, totaling over US\$ 76 million in revenue. 2,75 Percent of this would amount to close to US\$ two million, twenty times the amount actually paid in 2016. But Fevereiro says she doesn’t know about that and tells us to check with the Cabo Delgado provincial financial administration.

Gemfields maintains in an email that all royalties have been paid and notes that ‘allocation and distribution’ is the responsibility of the Mozambican government.

Whether Gemfields is responsible for the fact that millions of dollars in benefits from its mining are not

reaching the villagers, or the Mozambican state, is difficult to answer. Gemfields' operational partners are the Mozambican state, after all. General Pachinuapa, his son Raime, and board member Samora Machel (son of former President Samora Machel) and others are influential precisely because of their political connections.

The angular blocks covering the Montepuez district indicate as many licenses, all grabbed up, by such well-connected individuals. Among them are former Public Works Minister Felicio Zacarias, former defence minister, General Joaquim Alberto Chipande, Mayor of Maputo David Simango, Agriculture Minister José Pacheco, Frelimo-connected lawyer Lukman Assada Amane and the head of Mozambique's security service, general Lagos Lidimo.

But only some have found international partners with substantial mining capacity. Felicio Zacarias' company Regius features as a partner and board member in UK Redstone mining, which on its website claims that it now operates Regius concession number 3868L in Montepuez.

**“We think there are a few things they did against the law.”**

At the same time, Zacarias is also an associate in Australian Mustang resources, which has announced a similar operation nearby. Lukman Assade Amane's SLR is also a Mustang partner. The Mustang and Redstone licenses still belong to their ruling party-elite partners, though: according to its website, Redstone operates the Regius license, and Mustang's license is still listed as SLR's.

“But they are prospecting licenses only,” emphasises provincial mining director Ramiro Nguiraz. “They are not allowed to start producing rubies, much less

export or sell them.” In the case of Mustang, however, producing and prospecting seem to have started even without such a production license, called DUAT. According to an article in Mining Weekly (5) “Mustang Resources announced in late January that it had dispatched its first commercial parcel of the precious stones from its project in (Mozambique) to the US,” the article said, adding that “the parcel contained 6 221 carat of rubies, of which 75 carat was accounted for by five “special stones” (in the company's words), including two rare 24 carat rubies, “none of which require treatment”.

A good ruby can be sold for up to US\$ 100 000 per carat. Informed about this, mining director Nguiraz says he has “dispatched an inspection team” to the Mustang concession in Montepuez. “We think there are a few things they did against the law.”

Mustang managing director Christiaan Jordaan is adamant that the company's exploration and prospecting license allows the right to export and sell rubies ‘to finance further exploration.’ He adds that “all Mustang's exports have been approved by the Department of Minerals and the Department of Customs” and that “regarding the export of rubies from Mozambique, including the parcel mentioned by you that was exported at the start of this year, (...) we have gone through all the official channels with the Mining Department to secure the necessary export permits and we paid the royalties as calculated by the department.”

Nguiraz, when asked to comment, however, stands his ground. He agrees that rubies can be exported for analysis on the basis of a prospecting license, but repeats that the license currently held by Mustang does not allow for any ruby sales. Christiaan Jordaan does not respond to an email in which we ask him to provide the text of the license.



*Presidential office used by Isaura Nyusi, wife of Mozambican President Filipe Nyusi, Maputo (photo Estacio Valoi)*

We have encountered more such gaps between civil servants trying to do their job and those involved in the mining. Last year, then district administrator Arcanjo Cassia complained that he did not know where to turn to demand delivery on the promised Corporate Social Responsibility Projects (schools, employment projects, water wells among others.) In another case, provincial Attorney General Pompilio Uazanguia was demoted from his position by Mozambican Attorney General Beatriz Uchili (6) after he -Uazanguia- had attempted to prosecute militia killers of artisanal miners. This happened amid unsubstantiated rumours that Uazanguia was involved in timber smuggling. These rumours were then echoed as fact, but also without the provision of any evidence, in a letter sent by Gemfields to a publication that had quoted Uazanguia.

Gemfields, recently taken over by Pallinghurst (7), has consistently denied any involvement in violence and has threatened to sue Valoi and other journalists who have pointed at complicity. But there is one question that Gemfields has consistently not answered. It is the question why it is not using its partnership with the Pachinuapas to pressurise for better governance instead of worse, or to insist on partnerships with real business people and dedicated administrators, instead of with influential political generals.

Nor General Pachinuapa, nor ruling party FRELIMO, nor the interior and police ministry, nor the mining and energies ministry, nor the ministry for the environment in Mozambique replied to requests for comment.

#### NOTES

- (1) <https://www.businesslive.co.za/companies/mining/2017-04-19-wsj--please-add-wsj-paraphernaliasitting-on-a-trove-of-rubies-gemfields-looks-to-create-fresh-demand/>
- (2) <https://www.zammagazine.com/chronicle/chronicle-22/318-the-ruby-plunder-wars-of-montepuez>
- (3) Recently formalised into MRM's own security company KIWIRK
- (4) Listen to the interview with Montepuez administrator Etelvina Fevereiro here (in Portuguese): <https://soundcloud.com/zam-magazine/interview-with-etelvina-fevereiro-montepuez-administrator>
- (5) <http://www.miningweekly.com/article/mustang-ships-first-rubies-from-mozambique-2017-01-20>
- (6) Uchili has promised to follow up on one specific killing by a militia man of a villager, a case Uazanguia had attempted to prosecute but which was mysteriously thwarted in the judicial process. In the past two years Uchili has given no sign of doing so.
- (7) <https://www.ft.com/content/d554e077-4a0b-31b9-9f0c-7b9a739be0e6>

## 4 DRC THE ANTI-CORRUPTION ADVISOR DOESN'T PAY TAX

There is a factory on Usoko Avenue in Lubumbashi, Katanga, where the proceeds of aluminum 'doors and window frames' sales are, according to two engineers who work there, delivered in cash to "an envoy of Jaynet Kabila," the twin sister of the DRC's President Joseph Kabila. The company, IcoKat, is registered in business registries, however, as an 'internet provider.' Which means that a check by any law enforcement structure on IcoKat for proceeds of aluminum sales is unlikely.

Jaynet Kabila certainly makes a lot of money. Her name features in the 'Panama Papers' ICIJ project as the holder of an off-shore bank account (1). According to a report by the Congo Research Group (2), Jaynet also holds more mining licenses than a DRC citizen is legally allowed to have.

And it's not just mining and metals sales. A Bloomberg investigation recently listed dozens of interests held by companies in the 'Kabila empire', from telecommunications to money exchange to hotels and from airlines, freight transport and telecommunications to computers (3.) An investigative piece by Reuters showed in April 2017 (4), that even the new fancy biometric Congolese passport delivers

proceeds to the family's associates. The passport cost of US\$ 185 (a year's salary for the majority of Congolese citizens) is for a large part paid outside the DRC, to a bank account held in Belgium by a company that in turn pays yet another company in the United Arab Emirates, believed to be owned by a close relative of the Kabilas. "Of every passport we sell, we pay most money into the Belgian bank account," confirms a staff member at the Congolese embassy in Harare, Zimbabwe.

Those who heard Kabila's special anti-corruption advisor, the honourable ex-minister of Justice Luzolo Bambi say, upon his appointment in 2015, that "that the country loses US\$ 15 billion dollars annually to illicit outflows (5)," were thus waiting with waited breath until Bambi would investigate the leading political family's business dealings and off-shore wealth, compared to which former dictator Mobutu's entire Swiss stash of seven billion US\$ might be child's play.

### Simply not enough

Most citizens of the DRC, a majority of whom eat less than two meals per day, would love to get their hands on some of that money. The official state budget of the

*Mining operation*





*Jaynet Kabila had her company Keratsu created and registered off-shore*

Gertler. Mbali, nodding: “Ah yes, off-shore is a problem. When you see those ships leaving our shores with ten tonnes of our resources and they declare four. But investigations will take time. You don’t want to incriminate the innocent.” Not “incriminating the innocent” in the DRC mostly applies to anyone saying

## **A few men are richer than the state itself**

anything bad about anyone in the Kabila network. Journalists have been warned to refrain from writing about Jaynet Kabila and Panama. ‘Defamation’ is a *délit de presse*, punishable by jail.

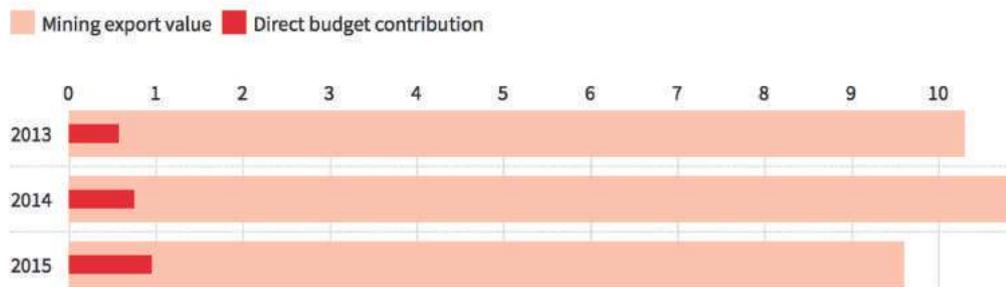
Would Mbali then investigate the fact that in 2015 US\$ 180 million was found stashed away in accounts held by Congolese nationals in one Swiss bank alone (8)? “I don’t have that information. If you have the documents, maybe I can ask for powers to investigate such transfers.” When we press on he says that maybe we can also give him money, because “investigations are expensive.”

DRC, left over after all the wealth has been dispatched elsewhere, is around US\$ 5 billion per year. Minister after minister, asked about hospitals, schools, roads, salaries of nurses and teachers, has claimed that ‘there is simply not enough’ for such things. One of these ministers, Adolphe Muzito, even stated that “the DRC has no budget” at all (6) Provincial mining minister Paulin Odiane, speaking at a Kinshasa workshop also in 2015 was heard saying in the same year that this was probably related to the fact that ‘a few men are richer than the state itself (7).’ Muzito himself would certainly belong in that category. But he did not comment when the AIPC asked him in an email how he felt about his majority ownership of the country’s one national airline CAA and a number of state-built houses, during his tenure as prime minister between 2007 and 2012.

Observers have become a bit suspicious, now that a year after the appointment of the special anti-corruption adviser, still nothing has come from the promises of ‘zero tolerance’ and ‘filling the jails with economic criminals,’ with which Bambi had been installed in 2015, by none other than president Joseph Kabila himself. But “there isn’t much I can do, you see,” says Professor Saint Augustin Mwenda Mbali, director general of the corruption observatory agency OSCEP (*Observatoire de Surveillance de la Corruption et de l’Ethique Professionnelle*), that interacts with Bambi’s office. « Because it is very difficult to get proof. I have been to Panama. I have seen the documents. But I haven’t seen those names (of Jaynet Kabila and two associates, mentioned in Panama Papers, *ed.*)”

The name that is mentioned in the off-shore company registry leaks is indeed not Jaynet Kabila. It is Keratsu; according to the Panama Papers, Jaynet Kabila hired Panama law firm Mossack Fonseca to create Keratsu. But we press on, asking why Mbali also seems to ignore that even UK MP Eric Joyce has reported on off-shore accounts on the British Virgin Islands held by President Kabila’s mining friend, Dan

## HOW MUCH CONGO'S STATE BUDGET RECEIVES VERSUS MINING EXPORTS (BILLIONS USD)



Mining export value is calculated on the final sale price (based on 31 December prices) of the quantity of copper and cobalt exported by Congo per year. Costs for extraction, processing and transport are paid out of this, among others. Congo's tax take should be hundreds of millions more each year.

*Infographic from Global Witness' Regime Cash Machine report (Credit: Global Witness)*

In a last effort, we mention the case of the *Fonds pour la Promotion de l'Industrie* (FPI), a state fund that should support entrepreneurs, that had US\$ 140 million stolen in 2014, and US\$ 300 million in 2016. Evidence on the theft has been presented in the National Assembly. With a glimmer of combativity and pride, the anti-corruption man now announces that he has 'workshopped these people' at the FPI. "I have given them the moral pep talk to make sure that doesn't happen again."

When saying goodbye, Mbali offers one last thought. "We should have 'a law that forces all public figures to declare their assets. But the National Assembly voted against such a law, because it would affect them, too (9)." Considering that we have just held a few interviews with National Assembly members, in which all without exception admitted that they were there "for the salary but also to network and make business deals," this seems a credible assumption.

### Handwritten bookkeeping

But the statement goes to the crux of the matter, which is regulation and systemic law enforcement, with checks and balances between different institutions of the state. This is largely absent in the DRC. Whilst cyber technology is embraced when it can make money for middlemen, like in the case of the new biometric passport, it is shunned in sectors where information checking is vital, such as in exports. Congolese customs officials still record exports in handwritten forms that stay in books and files on

individuals' desks and in storage rooms, never to be counter checked by anybody.

Then, the mining authority and tax agencies just take. Global Witness' recent 'Regime Cash Machine' report on the DRC (10) explains in detail how moneys that do enter the system -from formal mining revenue, tax payments on such sales and tax payments in general-, are siphoned off by fragmented tax agencies and the principal mining company Gécamines.

The fragmentation of and lack of connections between these structures is cited by Global Witness as one of the reasons why an estimated forty percent of revenue from mining and other tax payments, even when declared, does still not reach the state budget, but stays in opaque bank accounts to be accessed by the powerful. Though the DRC government justifies the withholding of moneys by these agencies as 'necessary for their functioning,' Global Witness has pointed out that it is unclear what this 'own functioning' actually is, since Gécamines has also been found not even to pay salaries to its own workers for months on end.

Kinshasa-based mining sector consultant Franck Fwamba believes that the forty percent that Gécamines and the tax agencies withhold from the state 'goes into the pockets of individuals.' A senior staff member of the DRC treasury structure, the *Cour des Comptes*, confirms that he is aware of "many such cases where state enterprises and structures appoint politically connected individuals and pay them direc-

tors' salaries, either simply to reward their loyalty or as a channel to their political parties." Fwamba also questions whether even the other sixty percent in revenue ever reaches the state. "I hear of cases where companies are simply extorted for money, which they pay. But they then book it off as 'tax paid in advance.' These companies will then not pay tax again." In one case, in May this year, a member of the police judiciaire was investigated for 'extorting' such 'tax payments' from mining companies active in Katanga. "But that is the tip of the iceberg," says Fwamba.

An account by a former senior engineer of Canadian First Quantum mines illustrates how decent companies can be forced to abandon the DRC because of such practices: "In 2009, when we tried to pay the *Direction Generale des Impots* (DGI) our due US\$ sixty million in tax, one of the directors told us to pay him four million, pay six million to the government and keep the rest, because 'no one here pays tax.' We refused." Months later, First Quantum had its copper mine seized and re-sold to President Kabila's friend, mining tycoon 'Mr Grab' Dan Gertler.

Economist and former DRC Central Bank director Michel Somwe says in an interview that "when it is unclear what happens with tax moneys and the state budget remains as small and ineffectual as it is, no one will want to pay tax." A senior tax inspector at the *Direction Générale des Recettes Administratives, Judiciaires, Domaniales et de Participations* (DGRAD) readily agrees. "Hahaha, even (senior presidential

corruption advisor) Luzolo Bambi himself doesn't pay tax," he says. "He has never submitted tax forms. He is just a regime puppet, like all the others."

### CLEAN MINING NOT SO CLEAN

According to the report "All the President's Wealth" by the Congo Research Group (11), President Kabila's family's mining operations benefit from armed protection by the presidential guard. Besides the fact that this would be unlawful use of state money, it also makes a mockery of international 'clean minerals' campaigns, intended to fight 'conflict mining.' If even the president of the country mines for himself with armed men protecting him, why shouldn't any local militia do the same? Why should 'official looting' be protected? Recent research on 'unintended consequences' of the American Dodd-Frank law on clean certification of minerals showed that such 'clean mining' arrangements have harmed artisanal miners who don't have ways to have their earnings certified. Analysis by the Center for Strategic and International Studies in the US has listed such unintended consequences as unemployment, poverty and a resurgence of banditry, among others (12).

Efforts to obtain comment from the DRC presidency, Jaynet Kabila or anti-corruption advisor Luzolo Bambi were unsuccessful.

### NOTES

- (1) <http://www.news24.com/Africa/News/drc-presidents-sister-named-in-panama-papers-20160404>
- (2) <http://congoresearchgroup.org/all-the-presidents-wealth/>
- (3) <https://www.bloomberg.com/news/features/2016-12-15/with-his-family-fortune-at-stake-congo-president-kabila-digs-in>
- (4) <http://www.reuters.com/investigates/special-report/congo-passports/>
- (5) <http://www.reuters.com/article/us-congodemocratic-corruption/congo-loses-up-to-15-billion-per-year-to-fraud-official-idUSKBN0TS1S620151209>
- (6) <https://7sur7.cd/new/2015/04/la-tribune-de-muzito-la-rdc-un-etat-sans-budget/>
- (7) According to a source who attended the workshop
- (8) <http://www.swissleaksreviewed.org/>
- (9) According to the Congo Research Group report <http://pulitzercenter.org/reporting/all-presidents-wealth-kabila-family-business>, the president and his ministers only disclose their assets to a closed committee in the National Assembly
- (10) <https://www.globalwitness.org/en/campaigns/democratic-republic-congo/regime-cash-machine/>
- (11) <http://pulitzercenter.org/reporting/all-presidents-wealth-kabila-family-business>
- (12) <https://www.csis.org/analysis/dodd-frank-1502-and-congo-crisis>

## 5 RWANDA ALL THE RULING PARTY'S SKYSCRAPERS

It's only when Nanne Schaap, cattle exporter in Friesland in the Netherlands, asks, with amazement in his voice: "But how do you think we could sell sick and half-dead cows to another country? There are way too many controls on that. How would we even get export permits?" that it starts to dawn on us that we have been played. It is 2015 when we are trying to do this story and we have really thought that Evil Western Cattle Exporters have, in the previous year, delivered sick, sub-standard cows to Rwanda. That they have victimised poor farmers and harmed Rwanda's developmental 'one cow per family' policy.

It turns out that farmers have indeed been victimised: seventy-two out of five hundred cows promised to help them become successful milk and meat producers in the still very poor country, have died. Others are sickly and not delivering as much milk as was expected. Seventy-six of the pregnant cows, for which good money was paid because of their status, have given birth to dead calves. But a check on the Netherlands' side shows, -contrary to what Rwanda's government mouth piece, the New Times, has alleged-, that the Dutch are not to blame. Schaap is right: strict controls on the Dutch side simply don't allow for export of unhealthy cows. "Actually," says Schaap. "The Rwandans never paid the full price for the cows after they demanded an upgrade in the quality. We sent them the better ones, but we were only paid for the lesser grade."

### **A mess and a cover up**

Subsequent research in Rwanda had shown both a mess and a cover up amid allegations that part of the money, made available to farmers through loans from the Rwandan Development Bank (RDB), had been pocketed by high level officials. Those allegations could not be proven, but that there had been duplicity on the side of the Rwandan bosses of the project was clear. The farmer's association that had formally 'owned' the project and had preferred to buy cows from South Africa since these were better suited to Rwandan conditions, had been bypassed. An expert farmer's representative had been denied access to the

buyers delegations' plane leaving Rwanda's Kigali airport at the last minute. After the business trip, when the cattle had been bought and arrived in Kigali, the agent of the RDB whose job it was to do so had -or so the Bank said- not been at the airport to receive the animals. In the cases of close to four hundred of the cows, medical certificates -on board on the planes with the animals- had gone missing.

In the end, some farmers had received no cows; others had received sick ones; yet others were given healthy cows that got sick soon after delivery. "We knew these cows were not going to last on our simple farms," said one. "This is why we wanted the other ones from South Africa." Some cows had been delivered to more established farmers who had not been part of Rwanda's cattle farmer development Girinka project. Very intriguing was the inclusion in the project of Rwanda's president Paul Kagame, surely not a poor farmer, as a beneficiary of cows to be sent to his Ntebe Farm.

Kagame was not to blame for the chaos around the cow deal, sources said. "He was upset about it as well, since it also affected him," insisted one. But the question why the President was included in the Girinka project was never answered and neither were other questions, such as why Dutch cows were bought, farmers had been sidelined, and an 'upgrade' of the cattle had been requested but not paid.

### **Urgent meetings**

A subsequent report by a government committee (1) left more questions than it answered. Though it did blame 'the delegation,' for lapses in their oversight of the deal, it still pointed at the Netherlands as the place where 'cows without medical certificates' had been loaded on the plane, which still implied that the Dutch exporter had delivered sick cattle. The committee did not mention the cost to the Rwandan state incurred by the loss of the dead cows, the cost of the now non-recoverable loans or loss incurred because of compensation that had to be paid to farmers. Officials of the Rwandan Development Bank kept mum



### *Seventy-two cows and seventy-six calves died in Rwanda's cow scandal*

about the losses as well as about the accusation that not all moneys had been paid to the Netherlands' exporter. "They keep saying they have urgent meetings," the AIPC's reporter had said, exasperated, after many attempts to get responses.

Asked for comment, a spokesperson for the Netherlands embassy in Rwanda noted that though they had "discussed with several role players," this had been a "private deal in which the embassy had not played a role." The spokesperson further commented that in the future "it would be available for advice and consultations."

In the end, after complaining for a while, farmers fell quiet. Permanent secretary for agriculture Ernest Ruzindaza, who had signed the loan contract with the Rwandan Development Bank, was fired, or rather, moved away from his position without much of an explanation. The signatory on the part of the Bank, CEO Jack Kayonga, had also been promoted sideways in the meantime, leaving the bank in May 2013.

#### **Replacing a murdered banker**

Kayonga had been the managing director of the RDB since 2009. He had replaced Théogène Turatsinze, who had been forced to resign in either 2007 or 2008

(reports on the affair vary on the date), allegedly because he had refused to declare bankruptcy of the bank after large amounts of money had been used to fund loans to ruling party members. According to online postings by critics of the regime (2), the ruling party had insisted that bankruptcy should be declared and the debts of the individual politico-businessmen canceled, but, still according to these reports, Turatsinze had not been amenable to this. He had moved to Mozambique in the same year and had

## **The Rwandan Development Bank had provided the bad loans**

been assassinated there in 2012, a few days before officials of the IMF and the World Bank were set to interview him about the affair (3).

The Rwandan government formally condemned the murder. Turatsinze is one among several people who were assassinated after they disobeyed orders from Paul Kagame (4).

As new managing director of the Rwandan Development Bank Jack Kayonga had cancelled the debts, declared the bankruptcy as desired by the ruling party government, and received much good press in the country in the years afterwards as the ‘efficient manager who turned the bank around.’ According to our sources he had been the brains behind the RDB’s loan arrangements for the cow deal in 2012.

### **The party-statal monopoly**

Now, in 2017, Jack Kayonga heads Crystal Ventures, the ruling party’s business empire. Together with a few other so-called ‘party-statals,’ connected to either the military or the ruling party, Crystal Ventures dominates the Rwandan economy. It holds interests in construction, real estate development, telecommunications, agriculture, aviation, security services, printing and publishing, furniture trading, manufacturing, property management and engineering. It uses state money to propel development, much like the cow deal was supposed to do, and also aims to make a profit, thereby growing the economy, also much like the cow deal was supposed to do.

This ‘party-statal’ system of political economic monopoly power, steered by a well-connected few at the top of the ruling party, has been lauded as ‘developmental patrimonialism (5)’ and a recipe for development similar to what happened in South Korea or Singapore. Supporters of President Kagame defend it, because “Rwanda had been shattered by genocide. Nobody would have invested as much in Rwanda as much as Crystal Ventures did,” in the words of Magnus Mazimpaka, managing director of Crystal Ventures subsidiary Taarifa (6) in a response to a critical article in the Economist (7) recently. Foreign observers have also lauded the modernised urban landscape in Rwanda with its new sky scrapers and conference centres.

Other experts, among them Kagame’s former private secretary, economic advisor and head of policy and strategy, David Himbara -now in exile in Canada-, call the system simply ‘crony capitalism (8),’ pointing out that in spite of much PR, Rwanda’s economy is still mainly informal and people remain poor. “The party-statals have the monopoly in certain sectors

and keep winning the government contracts at the expense of the very embryonic private sector,” says development economist Nilgün Gökgür who worked in Rwanda as an advisor to the Ministry of Industry on a private sector development project funded by the World Bank in 2011. The project was terminated after Gökgür had produced a preliminary report that questioned the situation. She later wrote a discussion paper about her experiences in Rwanda as a fellow at Antwerp University (9).

In his financial audits over 2015 and 2016 (10) Rwanda’s own auditor general has pointed at mismanaged and wasted state money, to the extent of over US\$ 100 million, poured into empty office buildings and other abandoned or badly executed construction projects. Asked whether party-linked enterprises were to blame for any of these ‘wasteful, mismanaged and fraudulent’ contracts, the auditor general’s office did not respond. Its 2015 audit had however criticized as ‘wasteful’ the office building projects at Nyanza and Rwamagana Plaza in Kigali, built by ruling party enterprises.

## **Over US\$ 100 million in state contracts was wasted**

### **Famine around the airport**

Visiting the districts Kayonza and Kirehe in eastern Rwanda, we found many villagers who told us they did not know what they were going to eat tomorrow. They did not complain loudly, however: this is frowned upon in Rwanda since it contradicts the official narrative of a developing and prosperous country under the leadership of President Paul Kagame, who recently got over 99 % of the vote in the elections and an enthusiastically welcomed third term as President. One source, called Hussein, told us he had been rebuked by local party leaders for ‘making noise’ about famine in his area. We learned later that he had left for Uganda after that. His case is not the only one, says Sarah, a resident of Bugesera in the east. “We have nothing to eat but our local leaders don’t want us to talk about this. Many residents here have migrated.” US\$ 1 billion is presently invested by the

governments Airport Company, in partnership with Portuguese Mota-Engil, in the construction of a new world class airport in Bugesera.

The focus on skyscraper-type development, combined with relentless removal of all rubbish (including hawkers, sex workers and beggars) off the streets of Kigali, and the person cultus around Kagame, remind more of Pyongyang than of Singapore or any African countries. Unlike Kim Jong Un however, Rwandan ruling elite members have access to off-shore bank accounts. The Panama Papers' highlighting of Crystal Ventures-connected Debden Investments, registered on the Bahama's, has led to angry denials by Rwanda that this would have anything to do with funneling wealth off-shore. Debden simply provided 'strategic transport services,' the government said. However, it was later revealed that these 'strategic transport services' consisted of two Bombardier Jets, owned by a South African based company that belonged to other RPF businessmen: former Crystal Ventures Board chairman Paul Manasseh Nshuti, and Crystal Ventures board member Hatari Sekoko (11).

### Private persons

"So you have Kagame's government paying Kagame's friends' company for travels by Kagame," summarises

an economist who has travelled to Rwanda and who prefers to remain anonymous. "This is exactly the problem with the economy of Rwanda, only now it is worse because the money is not even in Rwanda anymore."

**"We have nothing to eat but our leaders don't want us to talk about this"**

The Government of Rwanda has denied that it has anything to do with the jets, saying that the company is owned by "private persons (12)." It has also denied allegations by a Rwandan opposition blog and the formal FDU opposition party that Emmanuel Ndahiro's company called Colina Enterprises, which owns the London building where the Rwandan embassy is located is a front for President Kagame (13 and 14).

Crystal Ventures' executive chairman Jack Kayonga did not reply to questions emailed to him.

### NOTES

- (1) <https://www.documentcloud.org/documents/4052215-Report-by-Special-Committee-on-Dead-Cows-Affair.html>
- (2) See for example <http://watchmanafrika.blogspot.nl/2012/10/mysterious-deaths-during-kagames-rwanda.html>
- (3) <http://allafrica.com/stories/201210200004.html>
- (4) <http://www.independent.co.uk/news/world/africa/darling-of-the-west-terror-to-his-opponents-meet-rwanda-s-new-scourge-paul-kagame-9037914.html>
- (5) <http://www.institutions-africa.org/filestream/20110321-appp-working-paper-16-developmental-patrimonialism-the-case-of-rwanda-by-david-booth-and-frederick-golooba-mutebi-march-2011>
- (6) <http://taarifa.rw/2017/04/14/what-they-dont-tell-you-about-kagame-and-crystal-ventures/>
- (7) <https://www.economist.com/news/business/21718000-crystal-ventures-has-investments-everything-furniture-finance-rwandan-patriotic>
- (8) <https://qz.com/327694/why-i-quit-as-rwandan-president-paul-kagames-economic-advisor-tyranny-and-lies/>
- (9) <http://econpapers.repec.org/paper/iobdpaper/2012003.htm>
- (10) [http://www.oag.gov.rw/fileadmin/user\\_upload/Financial\\_Reports/ANNUAL\\_REPORT\\_JUNE\\_2016\\_EXECUTIVE\\_SUMMARY.pdf](http://www.oag.gov.rw/fileadmin/user_upload/Financial_Reports/ANNUAL_REPORT_JUNE_2016_EXECUTIVE_SUMMARY.pdf)
- (11) <https://www.timeslive.co.za/sunday-times/lifestyle/2010-02-14-rwanda-splurges-on-luxury-jets/>
- (12) <http://www.newtimes.co.rw/section/read/16918/>
- (13) <http://www.fdu-rwanda.com/en/english-rwanda-donors-should-ask-president-kagame-to-clear-his-name-over-financial-scandals-of-his-close-associates-2/#more-4849>
- (14) <http://greatlakesdemocracy.blogspot.nl/2011/05/breaking-news-rwandan-embassy-in-london.html>

# 6 BURUNDI

## THE MILITIA GIVES OUT PROTECTION RECEIPTS

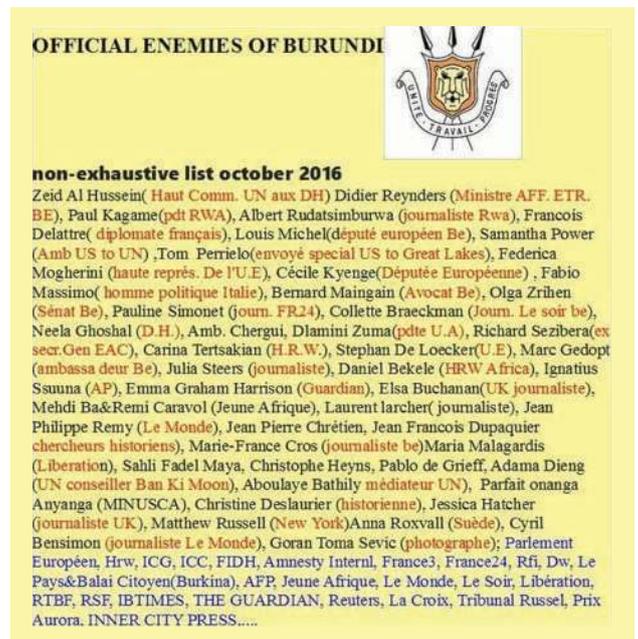
No one in Bujumbura knows the exact circumstance of the murders, occurred at some time in the first few days of May 2017 in Bujumbura, of a young activist called Darius and a friend. Neighbours and friends aren't even that sure of the exact date anymore. All they remember is that they helped another friend, whose knocks went unanswered, to get into the apartment through the back entrance. That is how they had found Darius with his throat slit, lying in a pool of blood. In the bedroom next door there had been a second body, also with the throat slit.

Going to the police is generally regarded as a fruitless exercise in Burundi, where the rampages and hits of the feared Imbonerakure, the militarised youth wing of the ruling party, have led to countless deaths and injuries, not to mention thousands fleeing to refugee camps over the border in Rwanda and Tanzania (1).

The Rwandan who wistfully posted a photograph of Burundi president Pierre Nkurunziza at his most benevolent, distributing food parcels to a poor rural community, and commented that "giving people food is something that you would not see Kagame do," would probably be surprised to find out how scared many Burundians are of their president. Particularly now, during his third term, according to most experts in violation of the constitution (2).

At face value the two neighbouring countries, Rwanda and Burundi could not be more different. Rwanda is governed by a ruling party that was the liberation movement of the Tutsi minority that came to power after the genocide of the Tutsi people at the hands of Hutu Interahamwe militias in 1994. The other, Burundi, is governed by a predominantly Hutu regime that is supported by a 50 000 strong militia, which many fear could morph into a similarly genocidal 'Interahamwe' any time.

Not that the Imbonerakure militia aren't deadly already, as the many assaults, murders and disappearances at their hands have shown. "Darius was a social



*A list of 'official enemies of Burundi' circulated by the Imbonerakure militia (source: unknown)*

justice activist. And he also monitored corruption," says Agnes, a friend we meet at the place where the murdered youngster used to live. "He had been trailed by the Imbonerakure for weeks."

## The ruling party had pledged good governance

### The unifier and the general

Besides differences between the two countries, -they are also mortal political enemies, with the one accusing the other of supporting its opposition- , there are parallels. Supreme leader who bears no criticism? Check. Third term presidency for said leader? Check. Massacres of one ethnicity by the other? The Rwandan genocide with its one million mainly Tutsi victims stands out. But Burundi's recent history is littered with ethnic conflict and massacres of Hutu by Tutsi and of Tutsi by Hutu. The differences between the two ethnicities go back to colonial times, when colonisers



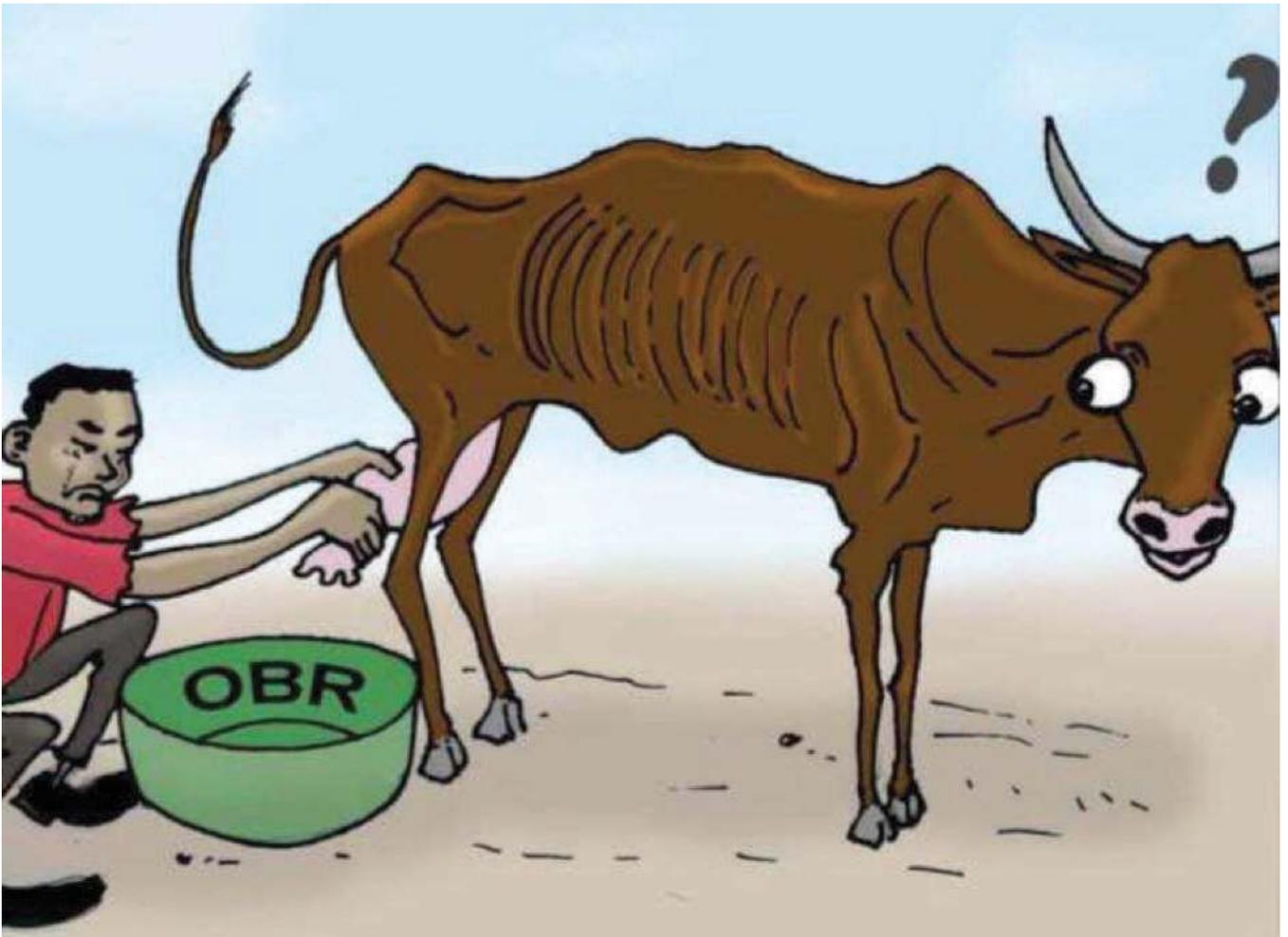
*Burundi president Pierre Nkurunziza (Photo: Premium Times)*

thought it a good idea, firstly to draw random borders in an area where two different peoples used to live each in their own communities, and then secondly to allocate a better class status, as local administrators, to Tutsis alone -thus setting the scene for centuries of resentment (3).

Remarkably though, current president Pierre Nkurunziza and his party had come to power twelve years ago, in 2005, to end all that. His nickname had been *umuhuza*, the unifier. His party, the National Council for the Defence of Democracy - Forces for the Defence of Democracy (or CNDD-FDD in the French abbreviation) pledged good governance and non-ethnicism. A new constitution had provided for equitable participation of both ethnicities in state structures, the army and positions of leadership.

And there had been progress. Parliamentary committees oversaw state expenditure and investigated cases of corruption that were brought to their attention. Tax experts from elsewhere, notably experienced tax administrator Kieran Holmes from the UK, were recruited to oversee much-praised reform and efficiency. The GDP went up. However, even as institutions were progressing, the country remained poor and volatile and strongmen with individual power bases continued to build their own networks. Most influential among

these was General Adolphe Nshimirimana, a trusted ally of Nkurunziza and head of the secret service. Nshimirimana ran parallel structures of allies and vassals, binding them to him through influence over state contracts and money. In a case denounced by former vice president Gervais Ruffyikiri, who fled the country in 2015 “because corruption is eating away at our souls (4),” the general had bought uniforms and military equipment cheaply in Ukraine and sold these at vastly inflated prices to the Burundi government (5). Ruffyikiri also reported that Nshimirimana had, after that, also had himself paid lavishly by the government for fruit tree seeds that were to be delivered to farmers, but most of which never reached them (6). The General also held parallel patronage power over those he had commanded during civil war. He used this authority as a ‘father figure’ to form the Imbonerakure (7): the militia, the likely murderers of Darius and his fellow activist friend, was his godchild. The General also kept ties he had forged, during and after the civil war, with the FDLR (the Forces for the Democratic Liberation of Rwanda), remnants of Rwanda’s Interahamwe militias in the DRC’s south Kivu. In a report in 2016 the UN Group of experts mentions both the FDLR and his name in connection with large-scale gold smuggling into Burundi from rebel-controlled mines in the DRC (8).



A cartoon in corruption watchdog Olucome's annual report over 2016, depicting citizens milked dry by the taxman (source: Olucome, print screen 17 September 2017)

### The great corruptors of the Republic

Noting the parallel developments of official and shadow structures, legality and illegality, the NGO International Crisis Group (9) noted that: "For some years now, Burundi has been among the countries whose governments have prioritised the fight against corruption (...) by passing laws and creating state structures; tries that at best stagnate and at worst regress (...) A gap is growing between words and actions, between laws and their enforcement and between declared policies and the way institutions behave." When Nshimirimana was assassinated in 2015 in a machine gun attack on his car in Bujumbura, it was rumoured that the reason for his 'removal' was that he and his Imbonerakure were now more powerful than the president and the regular army (10). In the same year, Nkurunziza insisted on, and won, his third term as president.

In 2017, well into Nkurunziza's disputed and violent conflict-ridden third term, parallel networks still vie for control with formal structures. The tax service *Office Burundais des Recettes* (OBR) is still said to be functioning moderately well, even if collection and performance have gone down (see notes 5 and 6). But shadow networks have started to impact on the OBR, too. The fact that General Nshimirimana's protégé Olivier Suguru, a fellow military equipment contractee to the government (11) is now Commissioner of the tax institution has sent out alarm signals among anti-corruption activists. "He is one of those who had nothing," comments a childhood friend of Suguru's. "All that changed when he met Nshimirimana. He has all these villas and cars now." A source at Burundi's official corruption watchdog Olucome (*Observa-*

*toire de la lutte contre la corruption et les malversations économiques*) tells us that “the executive of the OBR is now in the hands of the great corruptors of the Republic.”

The accusation that President Nkurunziza and his circle of friends increasingly ‘eat’ from collected tax moneys with impunity was given credence again when the presidency, in March this year, reserved hard foreign currency -of which the country has little- to exclusively order petrol for the country from the Interpetrole company, in which he is said to have shares (12). The government’s director of petrol products in the mining ministry blamed an administrative mess-up at the tax office for the dollar shortage that kicked other petrol providers off the market, caused traffic standstills in Bujumbura and led to the permanent closure of six petrol dispensaries, but that was quickly denied by the *Office Burundi des Recettes* itself.

### **Bulimia of power**

In April, corruption watchdog Olucome wrote an open letter to the Presidency (13), asking to dismiss the petrol director, but it was left unanswered. “We also deposited a corruption complaint with the national prosecuting authority,” Olucome director

## **The complaint was declared ‘sans suite’**

Gabriel Rufyiri sighs. “But it was declared ‘*sans suite*,’ without follow-up. It is regrettable, because we are seeing more and more of this favourable treatment of some companies where obstacles are put in the way of others. Some previously successful companies now operate at ten to thirty percent capacity of what they used to.” In another letter sent on 11 September 2017, Olucome lists ten cases in which this ‘clientelism and favouritism’ have impacted badly on the state budget

and economy. It has directed a similar letter at the facilitators of the Inter Burundi Dialogue -a negotiations platform started in 2015 to address the conflict around Nkurunziza’s third term- , Ugandan President Museveni and former Tanzanian President Benjamin Mkapa, asking them to urgently revive the Dialogue “in order to address the economic crisis and its consequences that weigh heavily on Burundi’s citizens.”

“Some action has to be taken by somebody” Rufyiri explains, “It’s sad to see what happens in Burundi as a result of this *boulimie du pouvoir* (bulimia of power, ed.)”

### **BURUNDI GOLD**

Whilst citizens are squeezed for taxes in the country still listed as among the five poorest in the world, undeclared gold leaves Burundi by the bagful. According to UN international trade statistics, Burundian gold worth over US\$ 160 million was declared imported by the United Arab Emirates in 2015 alone. However, over the same year Burundi registered only US\$ 13 million in gold exports to the entire world. This is possibly because the gold has not been mined in Burundi but smuggled in from the DRC, which is still a widespread practice (15).



*Burundi*

## Judges in debt

The International Crisis Group, in its findings about Burundi (16), states that the problem is not the absence of anti-corruption policies, watchdog bodies or investigations, but the lack of law enforcement and judicial follow up. Noting that the system of appointing judges leaves room for aspiring judges to buy their positions, the experts point out that such judges are then likely more concerned with making enough money to pay their 'debt' than with dispensing justice. Which is why the group in its recommendations emphasises the need to strengthen the justice system.

An illustration of the strange mix of officialdom, administration and impunity in Burundi at present is the fact that an Imbonerakure protection racket that terrorises the residents of the Ntahangwa quarter

in Bujumbura issues stamped receipts for monthly protection fees (500 Burundian francs, or thirty dollar cents, for an ordinary resident, double or quadruple that for a trader). In its annual report over 2016 (17) corruption watchdog Olucome refers to this practice, asking "how such receipts can bear the official stamp of Ntahangwa quarter, City of Bujumbura?"

## NOTES

- (1) <https://www.zammagazine.com/chronicle/chronicle-13/223-country-of-fear>
- (2) The Burundian president and his party have argued that, since he came to power in 2005 through negotiations and not an election, this is technically not Nkurunziza's third but his second term.
- (3) <https://history.libraries.wsu.edu/spring2016/2016/01/20/un-tribunal-on-rwanda-massacre-officially-ends/>.
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- (5) <https://www.arib.info/Rufyikiri-Corruption-au-Burundi-mars2016.pdf>
- (6) Idem
- (7) <http://genocidewatch.net/2014/06/02/despite-concerns-genocide-in-burundi-unlikely/>
- (8) [http://www.securitycouncilreport.org/atf/cf/%7B65BFCF9B-6D27-4E9C-8CD3-CF6E4FF96FF9%7D/s\\_2016\\_466.pdf](http://www.securitycouncilreport.org/atf/cf/%7B65BFCF9B-6D27-4E9C-8CD3-CF6E4FF96FF9%7D/s_2016_466.pdf) (p 34, note 2).
- (9) <https://www.crisisgroup.org/> in 2012 <https://www.crisisgroup.org/africa/central-africa/burundi/burundi-deepening-corruption-crisis>
- (10) <https://www.theguardian.com/world/2016/nov/15/murder-nuns-burundi-man-who-knew-too-much>.
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- (16) <https://www.crisisgroup.org/africa/central-africa/burundi/burundi-deepening-corruption-crisis>
- (17) <http://olucome.bi/IMG/pdf/-83.pdf>

# 7 SOUTH AFRICA

## THE ZUPTA EMPIRE BANKS IN DUBAI

“It’s a hundred billion Rands (almost US\$ seven billion, *ed.*) because I say so,” says Pravin Gordhan, former finance minister in South Africa. He is only half joking. There is no official calculation by any law enforcement body, or parliament, of the money stolen from the South African state by the money-guzzling and -laundering friends of President Jacob Zuma, the brothers Atul, Ajay and Rajesh Gupta (1). Jacob Zuma has appointed loyalists to all state structures that could envisage such a task. The tax agency, the South African Revenue Services (SARS) is presided over by former babysitter to Zuma’s children Tom Moyane; the police minister is long standing Zuma supporter Fikile Mbalula; a friend of rhino poachers is Zuma’s minister of intelligence (2) and head of prosecutions Zuma-appointee Shaun Abrahams (nicknamed ‘Shaun the Sheep’) is widely mocked because he won’t touch any corruption complaint involving the ‘Zupta Empire (3).’

Until March 30 this year, Finance Minister Gordhan was the one who stood in the way of the most blatant looting. He questioned corrupt contracts and told state companies, now populated by Zupta-men who were siphoning off tax moneys, that they would no longer be bailed out (4). He refused to bury a long list

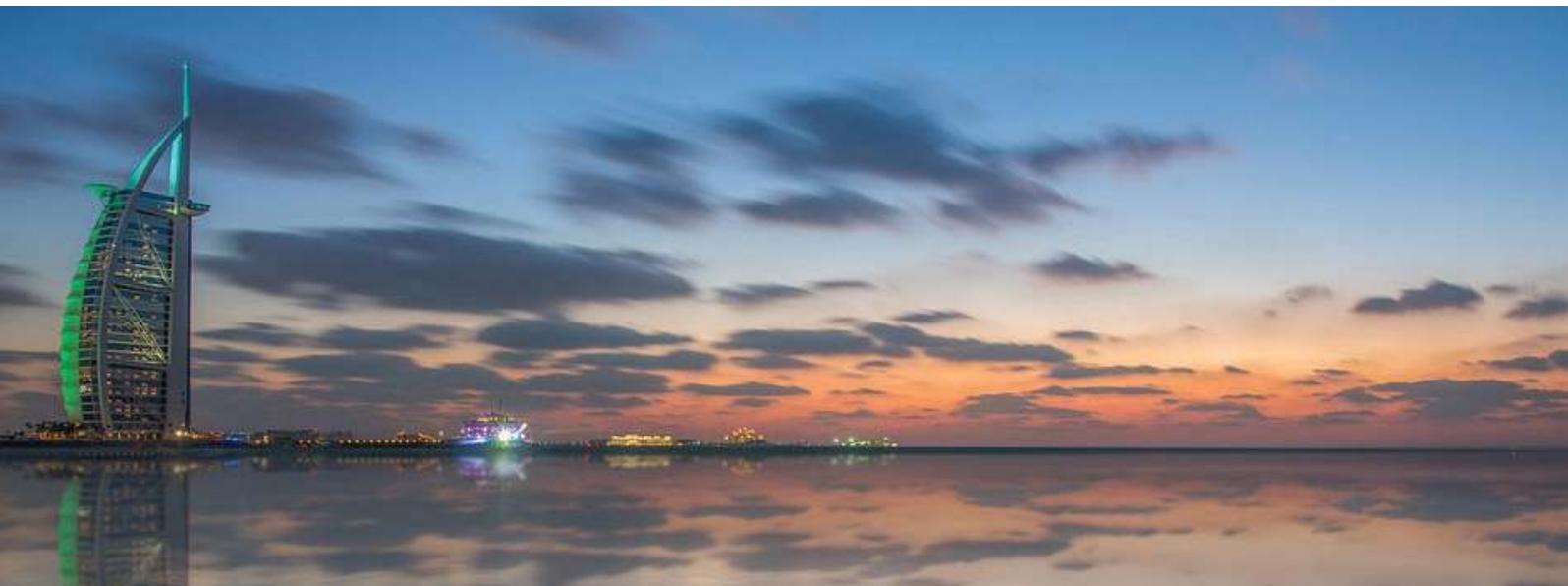
of suspicious transactions, whereby money was channeled abroad through the Guptas’ bank accounts and stood with banking good governance that prescribed that banks had the right to close the Gupta brothers’ accounts (5).

### State capture

But with the ominous, non-explained cabinet reshuffle (6) of March 2017, South Africa acquired a new finance minister, Malusi Gigaba: a snappy dresser, who was regarded as more flexible with regard to the networks of Zuma’s friends and whose wife famously said that she “helped” with state contracts and “IT solutions for passports” at the time when Gigaba was minister of home affairs (7).

Even if no formal structure calculates how much money is being channeled to the ‘Zupta’ bank accounts in Dubai, civil society, investigative journalists and academics do: all of the above can be gathered from investigative reports, partly also based on leaked emails from the Zupta network (8). The Public Administration Research Institute at the University of the Witwatersrand published all substantiated information in an academic report called “Betrayal of the Promise (9).” The South African Council of Churches,

*An estimated US\$ seven billion of South African taxpayers money was ‘suspiciously’ transferred to Dubai*





*Brothers Ajay and Atul Gupta with President Zuma's son Duduzane Zuma. (Source: Twitter @DestinyMan)*

in a report based on testimonies from people forced to work in 'captured' institutions (10), notes seven "ways in which the president's power-elite undermines the state," among which "the capture of state wealth, the control of the public service, shaking down regulations, securing control over the country's fiscal sovereignty and over strategic procurement opportunities, securing a loyal intelligence and security apparatus and undermining the formal executive through shadow structures."

### **Making *baba* happy**

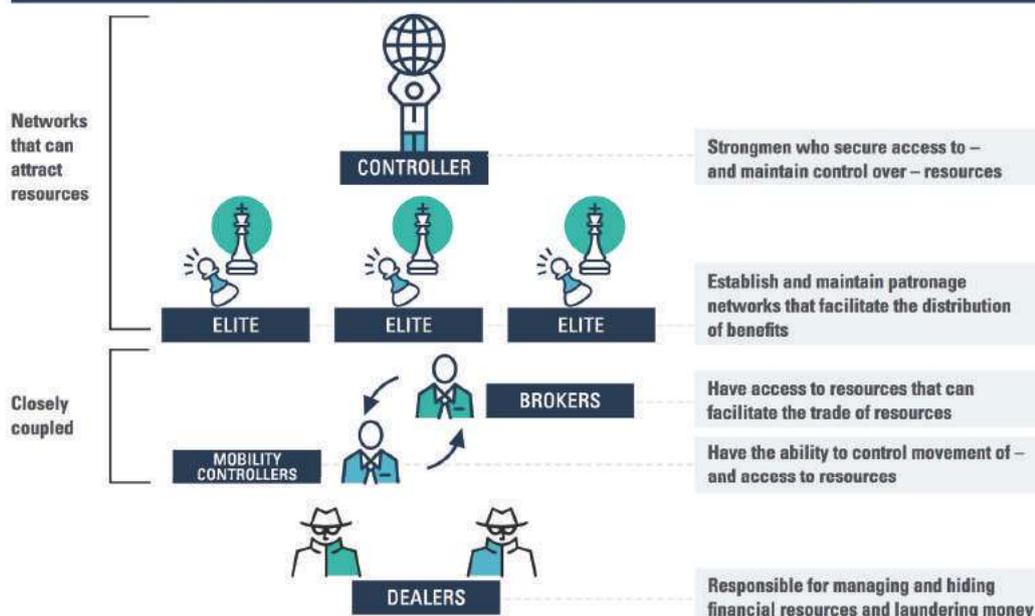
The story of the Zupta Empire shows how even a country with a professional and independent judiciary and media, parliamentary oversight, political and press freedom; a ruling party that was once headed by Nelson Mandela with a programme of democracy, good governance and justice for all; an industrialised economy, modern urban centres with electricity, water and roads infrastructure, can regress.

And the regression isn't just about money. Under Zuma, governance by the once-progressive African National Congress is vast approaching total patriarchal and almost feudal traditionalism. In Zuma's ANC members literally kill one another for positions, since only the most loyal vassals get crumbs from the masters' table (11). Making 'baba,' 'father', happy is what counts in the patronage network, including in the ANC Women's League he controls (12) "The ANC under Zuma is nothing like what the organisation was before," says a veteran of the liberation struggle against apartheid. "It is more like what the (traditionalist conservative Zulu movement) Inkatha used to be."

Like a traditional king, Zuma appoints on the basis of loyalty only; skills, expertise and good performance don't matter. A famous example is the way he kept his good friend Dudu Myeni on as chair of South African Airways whilst the airline was fast diving into bankruptcy. "He keeps saying "give her a chance," former finance minister Pravin Gordhan was overheard sighing in exasperation when, as a minister, he was still making efforts to save the state enterprise. (Myeni was finally on her way out in September 2017, after the statutory body that enforces the South African Companies Act, the Companies and Intellectual Property Commission, ruled that after serving three consecutive terms any further stay by Myeni was now illegal.)

If Zuma's famous giggles in response to questions in parliament aren't enough to illustrate his views on accountability, a former government official confirms: "He once told me that Putin doesn't have to account to parliament, so why should he?" A former parastatal head, shaking his head, adds that "State money is now stolen in such a way that they might as well take out machineguns and just take it like that."

Figure 2: Generalised model of a patronage network that extracts and administers rents



Organogram of South Africa’s kleptocracy. The ‘controller’ position is held by the boss of the state, i.e. President Jacob Zuma. (Source: ‘Betrayal of the Promise’ report by the Public Administration Research Institute (PARI) of the University of Witwatersrand, print screen 17 September 2017)

Pro-Zuma and Gupta publicists, among whom the Gupta-owned New Age newspaper and the ditto TV channel ANN7, have responded to the corruption reports with the argument that, either, there was no corruption but only ‘black empowerment;’ or, that if there was corruption this was unimportant compared to all the ‘looting’ done by old white colonial mining and banking empires. Interestingly however, the use by these publications of the term to describe the ‘old white’ businesses: White Monopoly Capital or WMC, turned out to have been the product of planning by the very old, white and capitalist ‘dirty tricks’ UK PR firm Bell Pottinger, now in trouble because of their duplicitous, twitter-bots using, racial campaign (13) “And also, if you want to fight plunder by outsiders, you need strong regulations and a strong state,” says Pravin Gordhan when we interview him at his Pretoria home. “These Gupta people have been doing nothing but break down our governance.”

**The Foskor exports**

This seems very much to be the case at Foskor, the phosphates company in which the South African state’s Industrial Development Corporation (IDC)

holds a major share. Firstly, Foskor doesn’t seem to declare its phosphates exports as much as it should; secondly, it is unwilling to answer any questions about this; and thirdly, it seems to be behaving like this with impunity, since even state shareholder IDC does not show concern when we send an email to alert it to our experiences.

We got to Foskor because Togo’s ‘phosphate Guptas’ seemed to have a connection to South Africa’s Foskor, too. Togo phosphates importer and shipper Ashok Gupta’s partner, Indian fertiliser company Coromandel, is a fourteen percent shareholder in Foskor. This finding prompted us to look into Foskor’s own phosphate exports from South Africa, which should run, according to Foskor’s own annual reports over 2015 and 2016, into millions of US dollars. This is confirmed by the UN’s international trade statistics over 2015, which reflect over US\$ 100 million in imports of South African phosphates by other countries. But South Africa’s official phosphates export records show a value of no more than US\$ 131 971 in the same year (14).



*The Foskor terminal at the Richards Bay port in South Africa (source: Foskor)*

“We don’t check physically at the ports so much because phosphates are not a very expensive commodity like diamonds,” says a former South African customs official. “Also, many of us don’t have the scientific expertise to distinguish phosphate rocks, gravel, or sand.” The official explains, however, that there are other ways to check that income in foreign currency is not kept from the country. “We used to compare exports declarations against foreign currency income to make sure we don’t miss out on taxation. But things are different now.” The official is one of many who felt under pressure to leave when Zuma’s new appointment Tom Moyane took over the tax agency and loosened controls, specifically with regard to ‘Gupta’ businesses (15).

Phoning three times and then also emailing three times, we ask Foskor -and later also the IDC- for comment on our findings. We also ask if Foskor’s Guptas have anything to do with Togo’s ones, or with the South African Guptas who have also received abundant, much criticised loans from the IDC (16) But all questions are left unanswered both by the IDC and Foskor. When we check the Foskor website again, the annual reports over 2015 and 2016, previously accessible, have been placed behind login and a password.

The Gupta family routinely ignores requests for comment. President Jacob Zuma has repeatedly claimed that he doesn’t understand what he has done wrong. His supporters even composed a song about it, called “What has Jacob Zuma done wrong?”

## NOTES

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- (2) <http://www.news24.com/SouthAfrica/News/mahlobos-rhino-poacher-mate-20161112>
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- (4) <https://www.dailymaverick.co.za/article/2016-02-24-budget-2016-gordhan-puts-state-owned-companies-on-notice/#.Wbo4YcgjFPY>
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- (15) <http://ewn.co.za/2017/06/04/reports-gupta-family-received-r70m-tax-refund-from-sars> and <https://www.timeslive.co.za/politics/2017-08-03-moyane-refuses-to-explain-dubai-trip/>
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# BOTSWANA

## THE PRESIDENT OWNS THE PARADISE

The Okavango Delta in Botswana, a World Heritage Site known for its magnificent sunsets, vast plains and impressive wildlife, contributes over US\$ 650 million annually to the country's gross domestic product. Tourism is its second-biggest money-earner after diamonds. Rich and super-rich foreigners -among them Oprah Winfrey, footballer Ibrahim Ibrahimović of Chelsea, Microsoft billionaire Paul Allen and UK Prince Harry- fly in to the Delta in their private jets to rest in luxurious lodges and enjoy the scenery. The considerable prices they pay for their holidays, however, don't fund the southern African country's state budget as much as they might think these do. Large parts of the bills paid for this 'African paradise experience' fund a number of tax-haven-based off-shore accounts that belong to the Wilderness Safari conglomerate in which President Ian Khama and his relatives and friends hold shares.

Botswana's peaceful and prosperous image, with its legendary tale of a first black president and his white English wife -as shown in the 2017 Hollywood release of 'A United Kingdom'- still dominates international public opinion. It is therefore, perhaps more than any other of our country studies, Botswana that shows how such stereotypes don't do justice to the people who live there. Gazing at the blissful sunsets, tourists don't notice the poverty around them, nor the fear brought on by an increasingly oppressive security network built up by the president and his friends and relatives (1) that keeps people in the dark whilst the paradise is being looted.

### Sixty percent

Wilderness Safaris' annual revenue of US\$ 200 million, almost one third of the value of the total tourism sector in Botswana, is derived from over 25 000 guests in seventy different safari camps and lodges in the southern African region per annum. These tourists' payments are largely made to travel agencies in their home countries. Overseas Adventure Travel/ Grand Circle, based in the US, for example, conducts business with Baobab Safaris, a subsidiary of Wilder-

ness that President Ian Khama holds a sixty percent stake in. Such income pays dividends to concessions such as Linyanti, owned by the president and other shareholders -among whom his relatives and close associates (2)- but the money never arrives in Botswana itself.

## Money never arrives in Botswana itself

More than half of Wilderness' tourism and travel subsidiaries are operated from abroad. Okavango Wilderness Safaris, a financial and assets management arm of the Wilderness Group, does not have headquarters registered in Botswana. Other subsidiaries Wilderness Safaris Limited-Bermuda, New Wilderness Holdings of Mauritius and Norisco SA in Luxembourg and Seychelles are finance and asset management arms of the group that are based in jurisdictions that allow very low to zero percent taxation. The tax-haven based entities have no employees or organisational and/or operational activities. Except for an island resort managed by Norisco Holdings in Seychelles, they also have no camps, safaris and hotels doing genuine business (3). Asked to comment, Wilderness has said that the Bermuda account housed "the group's insurance fund."

### No benefit

"This situation (has) made it possible for a lot of money that is paid for tours by visitors to never arrive in the Okavango or Botswana, since booking is mostly done outside Botswana -either in Johannesburg, America or Europe. The exclusive nature of tourism in the Okavango Delta has tended not to be of direct benefit to the people of Ngamiland District (since) the tourist revenue is not retained in Ngamiland or in Botswana," writes Professor Joseph Mbaiwa of the University of Botswana in a recent tourism revenue study (4). Mbaiwa believes that as much as ninety percent



### *Botswana's Okavango Delta*

of this value may be retained outside the country in payments to external travel agents, expat wages and food and other supplies imported from outside Botswana as well as profits. He bases his findings on calculations that over eighty percent of the 'paradises' in Chobe and the Okavango are at least partly owned by foreign companies, with over fifty percent of these fully owned by foreign safari operators. Mbaiwa's study also does not see many benefits for the region from the current tourism ownership structures. "Botswana's exclusive and luxury multi-billion dollar wildlife-based tourism industry is situated in Northern Botswana. Ironically, poverty in Northern Botswana is reported to be widespread," he writes. Echoing similar concerns, Member of Parliament for the ruling party Ignatius Moswaane argued in parliament in September 2016 that, "(the fact that) tourism operators across Central Kalahari and the famous Okavango Delta, Wilderness Safari (are) owned by whites is a source of concern for aspirant Botswana tourism operators."

Mbaiwa also points at 'elitist photographic tourism' as a cause of job losses (calculated by him as over two hundred in the past four years) in the sector. He believes this is also due to a 2013 ban on safari hunting: "The loss of jobs and income by communities due to the ban on safari hunting in favour of elitist photographic tourism, suggest that the already high poverty rates in Northern Botswana particularly in Ngamiland District will continue to rise."

Safari hunting jobs were previously held by members of the San/Basarwa communities, who have lived hunting and gathering lifestyles for centuries. In part due to the hunting ban they have been forced to abandon this way of life and now live in settlements on the periphery of the Okavango Delta. According to the Botswana Department of Wildlife and Parks, the hunting ban has also led to complaints from villagers whose farms and villages have been damaged by expanding herds of elephant and prides of lion (5).



*Elephants have damaged farms and villages*

### **A presidential family**

The Khama family plays a very active role in the travel and tourism industry. The Ministry of Tourism, headed by the president's brother Tshekedi Khama, awards the tourism concessions. Former Wilderness Safari Human Resources Director Sally Anne Follet-Smith heads the Botswana Tourism Organisation (BTO), a parastatal that regulates and controls stakeholders in tourism. Follet-Smith is also a board member of national airline Air Botswana, a company that was recently almost given, by presidential directive, to Wilderness Safaris in exchange for an undertaking that it would inject US\$ 30 million to jump start it. Simultaneously, the government would also provide a US\$ 30 million capital injection. The transaction failed to materialise following media reports that exposed the impending deal, which would have seen Wilderness acquiring a state asset very cheaply indeed.

President Khama himself owns shares in Baobab Safaris, SebaSafaris and Linyanti, all concessions of the Wilderness Group, whose chairman of the Board is the president's lawyer and confidante Parks Tafa. The Wilderness Board further features Marcus Patrick Khama Ter Haar, the president's nephew. Approached for comment, Botswana government spokespersons say that the president and his associates and relatives

hold shares in their individual capacities and that they declare these.

The Botswana Unified Revenue Services, despite confirmations of lack of expertise and resources to understand and track illicit finances, states in its latest financial report that it is being owed more than 2 billion Pula, US\$ 200 million, in both unpaid and uncollected taxes.



*Botswana media exposed the plans for the Wilderness – Air Botswana deal (source: Business Weekly and Review, 18 May 2017)*

### **NOTES**

- (1) <https://www.zammagazine.com/chronicle/chronicle-20/317-military-millionaires>
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# CONCLUSION

## FOCUSING ON THE KLEPTOCRATS, AIMING AT THEIR PARTNERS

African oligarchs do a lot more than accepting bribes. They stop the development of governance systems or break down existing ones to make way for plunder. Extracting wealth from their countries and storing it outside the continent, often going there for education, medical treatment, holidays and residence, they have become almost indistinguishable from former colonialists.

Protests against thieving and bad governance are growing in Togo, in Kenya, in South Africa; they have flared up in DRC, Cameroon and Mozambique. That such protests can be successful has been shown in South Africa recently. Media have exposed the looting; banks have closed the 'Gupta' accounts through which money was moved to Dubai; the judiciary has fought to remain independent; the parliamentary block of the ruling party is in disarray and President Zuma daily loses more of his grip on the country.

Interestingly, the protests have also impacted on international partners of the Zuma regime. The Gupta's PR company Bell Pottinger has been kicked out of its professional association in the UK ; their accountancy firm KPMG is in trouble; and the same outrage is affecting their consulting firm McKinsey.

This points to an interesting way forward for world public opinion to play a role. What if, instead of aiming arrows at colonialism generally, they were aimed specifically at Gemfields, Getax-Kalyan-Coromandel, Dan Gertler and Interpetrole? What if development aid to Joseph Kabila's and Pierre Nkurunziza's government was stopped and instead given to (truly) independent media, the strengthening of the judiciary and social justice groups? Much would already be won if the dominant narrative that lumps together all Africans as 'victims' was turned around to distinguish between forces for social justice on that continent and the kleptocrats.

This project is a work in progress. Stand by for follow-up.

*October 2017*

The African Investigative Publishing Collective  
Africa Uncensored

ZAM



# 10 WHO WE ARE

## THE AIPC, AU, ZAM AND THE TEAM



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[www.investigativecollective.com](http://www.investigativecollective.com)

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## THE TEAM WHO DID THIS INVESTIGATION



**Maxime Domegni**  
**Journal l'Alternative, Togo**

Contributed the Togo chapter amid upheaval and threats during the protests in his country last August, in which two people were killed and several injured, arrested and imprisoned.



**Eric Mwamba, DRC/Australia**

Lives largely in Australia because he tends to get kidnapped or arrested when he ventures back into his country. 'Masterminds' long-distance investigations in the DRC, Republic of Congo, Ivory Coast and elsewhere in francophone Africa.



**Estacio Valoi, Mozambique**

Has followed the devastation brought by rapacious mining and other looting in northern Mozambique for years. Is often threatened. Keeps going 'with the wind.'



**Francis Mbala, DRC**

In the country and investigating. Facing considerable pressures and obstacles on a daily basis.



**Correspondent Rwanda and Burundi**

Due to disappearances and assassinations of critics and those who question authority in both Rwanda and Burundi, our correspondent in these two countries asked to remain anonymous.



**Lawrence Seretse, Botswana**

Investigates presidency, politicians, military and security authorities and business deals in his country.



**Evelyn Groenink, South Africa**

Investigations editor. Author of South Africa chapter. Married to former tax official who was fired by current South African government. Biased against South African president Jacob Zuma as a result.

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