

DAY XXXVII OF THE "HIDDEN DEBTS" FINANCIAL SCANDAL TRIAL

## Victor Bernardo says he expressed reservations about the terms of the financing agreement with ProIndicus



Victor Bernardo - Créditos O País

**V**ictor Bernardo, at the time of the facts Chairman of the Board of Directors of Monte Binga (a company under the National Defence Ministry), was the first declarant to be heard by the court on the 37<sup>th</sup> day of the "hidden debts" scandal trial. He recounted that in December 2012, and at the invitation of the former Minister of National

Defence (Filipe Nyusi), he attended a meeting in his capacity as the Chairman of the Board of Directors of Monte Binga. In addition to Filipe Nyusi, the meeting was attended by the former Minister of Interior (Alberto Mondlane) and the former General Director of SISE (Gregório Leão), all of them accompanied by their respective technical teams. The

purpose of the meeting was to discuss the creation of a company dedicated to protecting and monitoring Mozambique's Exclusive Economic Zone. Monte Binga was to lend its experience to the creation and implementation of the company, which would later be called ProIndicus.

At the meeting, Victor Bernardo said he

learnt that the proposer of the project were the secret services and that the company would be made up of representatives of the Ministry of National Defence, the Ministry of the Interior and SISE, due to the transversal nature of the operations of protection and monitoring of the Exclusive Economic Zone. Monte Binga is the company that would represent the Ministry of National Defence in the team created to work on the implementation of ProIndicus.

"After the Ministers and SISE General Director had left, I asked the proposer (secret services) if the process of reserving the name and preparing the statutes of the company had already been organised. The answer was that yes, everything was already done. The next step was to go to the notary office to formalise the creation of the company. I left the Ministry of National Defence and went to Monte Binga to call a meeting with the board of directors to deliberate on the signing of the ProIndicus public deed. It was decided that, in that act, Monte Binga would be represented by the Chairman of the Board of Directors, myself, and a director, Guido M'Ponha Machipissa. The signing of the public deed was on 21 December 2012, at the Private Notary Office of the Ministry of Finance. It was agreed that the subscription of Monte Binga's capital in ProIndicus would be handled by the project proposer (SISE) in the company's implementation phase."

Of the three entities that participated in the signing of the public deed, Monte Binga was the only one that was properly structured, so it was decided that it would be responsible for the administrative and management acts of ProIndicus until the appointment of its governing bodies. "Weeks after the act of subscription, I received a call from Teófilo Nhangumele requesting a meeting at Monte Binga

to sign the draft agreement on the terms and conditions of project financing. At the meeting, Teófilo Nhangumele was accompanied by someone from the Middle East. He gave a detailed presentation of the project, which involved the acquisition of various material for operations on land, sea and air. I understood that Teófilo Nhangumele was representing SISE."

Questioned by the Bar Association of Mozambique (OAM), assistant in the case, what steps he had taken to find out that Teófilo Nhangumele was representing SISE, the declarant replied that he had been at the meeting held at the Ministry of National Defence as a member of the secret service team.

Victor Bernardo recalls that he asked Teófilo Nhangumele whether he had consulted specialised entities, namely the Mozambican Navy and Air Force, about the options for suitable equipment for the proposed operations. "The answer I got was that yes, all entities had been consulted." Still on the proposed agreement on terms and conditions of financing between ProIndicus and Credit Suisse in the amount of USD 372 million, the declarant said he was vigilant in relation to the interest rate and the maturity and grace periods, as he was convinced that the loan would be concessional.

"At that time I was not in possession of up-to-date information on interest rate ratios the maturity and grace periods of commercial loans. I did not sign the agreement and recommended that they should seek information from the Ministry of Finance. Teófilo Nhangumele understood my concern and said that he would address the issues that had raised my reservations." Days later, Teófilo Nhangumele contacted Monte Binga's Chairman of Board of director again, requesting a new meeting. "Teófilo brought a document on indicative

terms and conditions of financing already bearing two signatures; one from the National Treasury Director (Maria Isaltina Lucas) and another from the representative of the company supplying the equipment (Privinvest). My signature as representative of Monte Binga was missing. I signed the document because my doubts had already been cleared up, but I drew attention to the fact that where I was supposed to sign, it said ProIndicus and not the representative of Monte Binga."

After signing the agreement on terms and conditions of project financing, Victor Bernardo said he received a call from Filipe Nyusi informing him that he had seconded a staff member from the Ministry of National Defence, namely Eugénio Zitha Matlaba, to deal entirely with the affairs of ProIndicus, thus exonerating the board of directors of Monte Binga. The declarant noted that he did not attend the first extraordinary session of the general meeting of ProIndicus, but was informed by Eugénio Zitha Matlaba that the company's governing bodies had been elected. "No member of the board of directors of Monte Binga was on the governing bodies of ProIndicus. This is how I ended my relationship with ProIndicus and I do not remember signing any other document related to the company."

Victor Bernardo said that while he was dealing with the affairs of ProIndicus, he was not aware of the existence of the project called Integrated Monitoring and Protection System (SIMP), which integrated ProIndicus, EMATUM and MAM. Therefore, he said that everything he knows about EMATUM and MAM he has followed through the press and the trial underway. He insisted that the defendant Teófilo Nhangumele was the person with whom he interacted on behalf of SISE, and said he never dealt with ProIndicus matters with the defendant António Carlos do Rosário.

## Eugénio Matlaba confirms that he was nominated by Filipe Nyusi to be the first Chairman of the Board of Directors of ProIndicus

The second declarant of the day was Eugénio Matlaba, another official from the Ministry of National Defence. From 1994 to 2003 he was Financial Director of the Armed Defence Forces of Mozambique (FADM); from 2004 to 2008 he was National Director of Logistics and Finance of the Ministry of National Defence; from 2008 to 2010 he was Economic Advisor to the former Minister of National Defence (Filipe Nyusi); from 2010 to 2012, he was an Executive Director of TVM; and from February 2013 to February 2014 he was The Chairman of the Board of Directors of ProIndicus.

During the time he worked as PCA ProIndi-

cus, Eugénio Zitha Matlaba said that no one ever told him about EMATUM and MAM. "Even in contact with my superiors and colleagues, I was never approached about EMATUM and MAM. Only later I heard about EMATUM in the press." Asked by Judge Efigénio Baptista if he learned about the Integrated Monitoring and Protection System (SIMP), a project that encompassed three companies (ProIndicus, EMATUM and MAM), the declarant said he only heard about it at the trial.

"The SIMP that I am aware of was conceived under the ProIndicus statute. We suggested to the Ministry of National Defence to contact other public institutions to contribute to

the elaboration of the SIMP, which was to be approved in December 2013. The SIMP had aircraft, patrol boats, radars and satellites to collect real-time information that was channelled to a command and control center on the ground. ProIndicus' project was integrated and the means the company had were sufficient to accomplish its object."

On his appointment to the position of PCA of ProIndicus, the declarant confirmed that he received instructions from the former Minister of National Defence, Filipe Nyusi, to present himself to SISE in order to receive an assignment. "At SISE I was received by António Carlos do Rosário. He said he had superior

instructions to inform me that I had been appointed to head the monitoring and protection project." On February 21, 2013, the first extraordinary session of ProIndicus was held, where the company's governing bodies were elected.

In the same session, some acts previously performed on behalf of ProIndicus were validated, namely the Terms and Conditions of the project financing agreement signed on January 15, 2013 and the Contract for the supply of the equipment and system elements that had been signed between ProIndicus and the Privinvest group on January 18, 2013. "I did not feel comfortable working with in those documents without them having been validated by the general assembly. They were acts done on behalf of ProIndicus before the constitution of its governing bodies." He confirmed that ProIndicus was represented by Victor Bernardo (PCA of Monte Binga, ProIndicus' shareholder) at the signing of the terms and conditions of the financing agreement, while Raúfo Ira (SISE officer and representative of shareholder GIPS) signed the equipment supply contract on behalf of ProIndicus. "Raúfo Ira appeared at ProIndicus meetings as a representative of one of the shareholders, GIPS.

Eugénio Matlaba assumed that he signed the financing contract for the project, in the amount of USD 372 million, on February 28, 2013, together with António Carlos do Rosário, both representing ProIndicus. "When I joined the ProIndicus project the contract had already been negotiated. I did not have the opportunity to give my input. I don't know who negotiated the equipment supply and financing contracts." For the signing of the financing contract, he said he used the agreement on financing terms and conditions, as well as the contract for the supply of equipment and services as a basis.

Asked about the reason for the difference between the amounts of the financing agreement (USD 372 million) and the supply agreement (USD 366 million), the declarant replied in the following terms: "The explanation I got from reading the documents is that the Credit Suisse bank involved an internal intermediary who charged six million dollars for brokering the financing."

Regarding to the change in the initial amount from USD 372 million to USD 622 mil-



Eugénio Matlaba

lion, he explained that when the Joint Command was informed about the loan effective and the transfer of the amount to the supplier, it decided that an adjustment should be made in terms of means to ensure coverage of land, lake and river borders. "At the radar level nothing has changed. However, there was an increase of 24 DV-15 intersecting boats; there were three WP boats that were not in the initial contract; two OPV boats were replaced by three HS-32 boats; and the aircraft went from two to six. This is how the initial funding contract had an addendum to accommodate the USD 250 million increase. All the changes were decided by the Joint Command."

To the question whether ProIndicus had a commercial component, he answered positively. "ProIndicus was not formed to replace the branches of the Armed Defence Forces of Mozambique, it is a security company. Its concentration was to protect infrastructure at sea to guarantee revenue, with a focus on the facilities of the oil companies operating in the Rovuma basin, boats in transit that use the Mozambique channel, fishing boats, tourist ships, ships entering Mozambican ports, and weapons storage in transit through Mozambican waters.

Asked if ProIndicus ever entered into a contract with a company to generate revenue, Eugénio Matlaba replied that until his departure in February 2014 there were no signed contracts. "We had verbal contacts

with companies. I remember that I was received by the management of the Eni oil company, but they said that it was necessary for the ProIndicus system to be complete in terms of means to guarantee the safety of the platform. Nevertheless, by February 2014 we still had not received all the means. We had only received six DV-15 boats in Pemba. The means were made to order, according to the specifications of the contract. The deadline for receiving the last boat was February 2015.

Asked whether, in his opinion, ProIndicus' financing and supply contracts had been well conducted to make the company sustainable, he replied in the following terms: "Respecting the decisions made, it is my understanding that the turnkey contract may have raised the risk for the client. But the explanation I had with colleagues is that this was the best solution." Until he leaves ProIndicus in February 2014, the company had not yet generated revenue.

During the term he served as PCA of ProIndicus, the declarant said that the main difficulty he faced with the Privinvest group was the failure to meet the delivery schedule of the means. "For example, the DV-15 boats were supposed to be delivered in July 2013, but we did not receive them until December of the same year. In June 2013 we visited the Privinvest group's shipyards in France, Germany and Abu Dhabi to express concern about the delay in the delivery of the means."



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