

## About the USD 78 million “invested” by 67 Mozambicans in Dubai: Who controls the risk of money laundering and terrorism financing?

- The Gabinete de Informação Financeira de Moçambique (GIFiM) points to corruption, fiscal fraud, drug trafficking, environmental crimes (flora and fauna), kidnapping and private imprisonment as the previous crimes that pose the greatest threats of money laundering and terrorist financing. Fiscal fraud is one of the tools for financing the Frelimo Party, through the sale of customs exemptions.





- Remittances from abroad inconsistent with the nature of the business; carrying out transactions in large amounts abroad using debit cards; remittances abroad with inconsistent justification with the customer profile; dubious real estate transaction (deposit of large sums of money on the basis of buying and selling real estate); and use of private bank accounts instead of company accounts to conduct business transactions are among the most commonly used methods for money laundering in Mozambique, according to GFiM.
- Mozambique lacks legislation on beneficial ownership, a tool that allows the identification of all persons who control, through ownership of shares or other means, a company, foundation, business entity, cooperative or fund. The beneficial owner registry helps in preventing and combating money laundering, fiscal evasion, as well as in improving actions to combat the financing of terrorism and in locating and recovering stolen assets.



Credits: Outlook India

In mid-May, the press reported that 67 Mozambicans own 359 properties in Dubai, the biggest city in the United Arab Emirates. The properties of Mozambicans in Dubai are valued at USD 78 million, equivalent to 0.53% of Mozambique's Gross National Product (GNP)<sup>1</sup>. The research shows that there are more Mozambicans with properties in Dubai than South Africans. That is, Mozambi-

que, one of the poorest countries in the world, has more citizens with investments in one of the biggest tax havens in the world than South Africa, the largest economy in the region and one of the three largest in Africa.

A study by the European Union (EU) Fiscal Observatory quoted by Expresso newspaper<sup>2</sup> reveals that 350 Portuguese own 819 properties in Dubai, valued at USD 238 million. In

counting the number of properties owned by foreign citizens in Dubai, Portugal appears in 59th place on a list of 194 jurisdictions, which has at the top countries like India, the UK and Pakistan. The average number of properties owned in Dubai for each of the 350 Portuguese is 2.3; while for the Mozambican case, the average number of properties is 5.3 for each of the 67 "investors".

<sup>1</sup> <https://cartamz.com/index.php/politica/item/10665-67-mocambicanos-possuem-78-milhoes-de-dolares-em-propriedades-no-dubai>

<sup>2</sup> <https://expresso.pt/sociedade/2022-05-31-Cerca-350-portugueses-tem-800-imoveis-no-paraiso-fiscal-do-Dubai-887619cb>



The research shows that 28% (equivalent to 19) of Mozambicans with real estate investments in Dubai are women. The names of the 67 Mozambicans were not revealed, much less the source of the money used to acquire property in one of the world's biggest destinations. Some investments made by Mozambican citizens in Dubai may be proceeds of money laundering and could be used to finance terrorism.

Money laundering is a process that results in the concealment of the proceeds of criminal activity in order to hide their source and allow their use as if they came from a legitimate source. The aim of money laundering is to disguise, in a definitive way, the illicit source of the proceeds generated by criminal activity, so that they can be used as if derived from a legal activity. This is achieved by concealing the sources of the proceeds, converting or sending them to jurisdictions where money laundering prevention and combat mechanisms are less stringent<sup>3</sup>.

According to the International Convention for the Suppression of the Financing of Terrorism, adopted by the General Assembly of the United Nations on 9 December 1999, financing of terrorism consists of the provision or collection of funds, by any means, directly or indirectly, with the intention that they should be used or in the knowledge that they are to be used, in full or in part, with the intent to commit terrorist acts or any other act intended to cause death or serious bodily injury to a civilian, or to any person not taking a direct part in hostilities in a situation of armed conflict, when the purpose of such act, by its nature or context, is to intimidate a population, or to compel a Government or an international organization to do or abstain from doing any act<sup>4</sup>.

Under this Convention, the term funds shall include property of every kind, whether tangible or intangible, movable or immovable, acquired by any means, and legal documents or instruments in any form, including electronic or digital, evidencing title to or other rights in such property, including, but not limited to, bank credits, travelers' checks, bank drafts, money orders, stocks, bonds, notes, bank drafts, and letters of credit.

In its National Risk Assessment Report of the Risks of Money Laundering and Terrorist Financing, published in March 2022, the GIFiM indicates that the most common money laundering methods used in Mozambique include: Doubtful real estate transaction (deposit of large sums of cash on the grounds of buying and selling real estate); Use of private bank accounts to the detriment of company accounts for conducting business transactions; Falsification of documents for opening



Credits: NIT

accounts in the name of public entities; Falsification of documents relating to Boletim da República for the purpose of opening bank accounts; Foreign remittances incompatible with the nature of the business; Carrying out transactions of large sums abroad using debit cards; Foreign remittances with justification inconsistent with the client's profile; Deposits or transfers of amounts followed by currency exchange; Refusal to provide information or clarification on the source of funds moved in the accounts, especially for individuals.

One of the questions is whether GIFiM is aware of the source of the money invested in 359 properties in Dubai by 67 Mozambicans. Did the USD 78 million invested in Dubai come out from the domestic financial system? If so, how were they registered? Are the Mozambican authorities aware of the source of these amounts used for the purchase of 359 properties? Under paragraph a) of Article 2 of Law No. 2/2018, of June 19, it is the GIFiM's responsibility to "collect, receive, request, centralize, analyze and disseminate, with the competent judicial and police authorities and supervisory and oversight authorities, information regarding economic-financial operations that may embody acts of money laundering, terrorism financing and other related crimes."

In its National Risk Assessment Report on the Risks of Money Laundering and Terrorist Financing, published in March 2022, GIFiM identified the casinos, real estate, dealers in precious metals and stones, and the environment sectors as the most exposed to high money laundering risks. Regarding the

crimes preceding money laundering, the analysis made revealed that corruption, fiscal fraud, drug trafficking, environmental crimes (flora and fauna), kidnapping and private imprisonment are the main threats. These types of crimes have high money laundering threat levels with an increasing trend.

For the case of corruption, the report notes that it is a crime precedent to money laundering that generates very high resources and covers almost all social strata. Regarding fiscal fraud, it was found to be the type of crime precedent to money laundering that was most detected in the financial information reports sent by GIFiM to law enforcement authorities. Fiscal fraud is the main tool used by the Frelimo Party to finance its activities, especially election campaigns. Frelimo uses customs exemptions to import tons of goods from various traders with connections to the ruling party. In turn, the traders pay a tribute to Frelimo and finance their political activities, harming the state by millions of dollars.

The government and Parliament should have taken advantage of the revision of the Law on the Prevention and Fight against Money Laundering and Terrorist Financing to strengthen the mechanisms for controlling the outflow of foreign currency abroad and the investments made abroad by Mozambicans, including in tax havens. But the revision of the legislation on money laundering and terrorism financing was used to institute political control of civil society organizations by the Government, thus increasing fears of further restriction of civil rights and liberties and democratic backsliding in Mozambique.

<sup>3</sup> <http://www.gifim.gov.mz/#>

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For example, Article 57.4 of the Law on Preventing and Combating Money Laundering and Terrorist Financing (recently approved by the National Assembly) states that “non-profit organizations must keep, for a period of eight years, records of domestic and international operations in sufficient detail to enable verification that the funds were used in accordance with the organization’s object and purpose and must make these records available to

the Ministry that oversees the area of finance, the authorities that oversee the respective sector, the judiciary and the GIFiM.

The government should also approve legislation on beneficial ownership, a tool that allows the identification of all persons who control, through share ownership or other means, a company, foundation, business entity, cooperative or fund. Beneficial ownership transparency is increasingly receiving

international attention. This attention stems from the recognition of its role in fighting against corruption and money laundering; improving the business environment (by promoting open competition, including in public procurement, and more efficient due diligence processes); fighting fiscal evasion, as well as in enhancing actions to fighting against the financing of terrorism and in locating and recovering stolen assets<sup>5</sup>.


<sup>5</sup> <https://cddmoz.org/wp-content/uploads/2022/03/Ministerio-da-Justica-deve-actualizar-os-mocambicanos-sobre-o-progresso-da-proposta-de-lei-do-beneficiario-efectivo.pdf>



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