



CENTRO DE INTEGRIDADE PÚBLICA

Anticorrupção - Transparência - Integridade



External Control of Defence and Security Expenditure:

How much does the State spend on the war in Cabo Delgado and how does it spend it?

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Título: How much does the State spend on the war in Cabo Delgado and how does it spend it?

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Maputo, August 2021



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Executive Summary

The war in Cabo Delgado has cost more than 74 billion meticaais (\$1.2 bn). Official security and defence spending has jumped three-fold since 2015, from 21 billion meticaais to 62 billion meticaais per year. And this apparently does not include 10 billion meticaais we estimate has been spent on private military companies.

Lack of accountability

There is a lack of accountability for military spending in general and with the war in Cabo Delgado in particular. The Assembly of the Republic (Parliament) is the central body that must externally control military spending, but it has been weak in exercising that role. From the budget execution instruments, such as the General State Account (CGE), it is possible to verify the expenses of the defence and security sectors. But the way in which the data is presented does not allow extracting precise information on how much the State spends specifically on the war in Cabo Delgado. Mozambicans do not know how much the war in Cabo Delgado costs.

External oversight of military spending is important to prevent corruption, as seen in hidden debts. This is the first study of its kind, carried out by CIP.

Our first estimates

We can use General State Account to estimate official expenditure. Table 1 shows that expenditure for the years 2015-2020.

Table 1. Realization of expenditure for the years 2015-2020 (in billion meticaais)

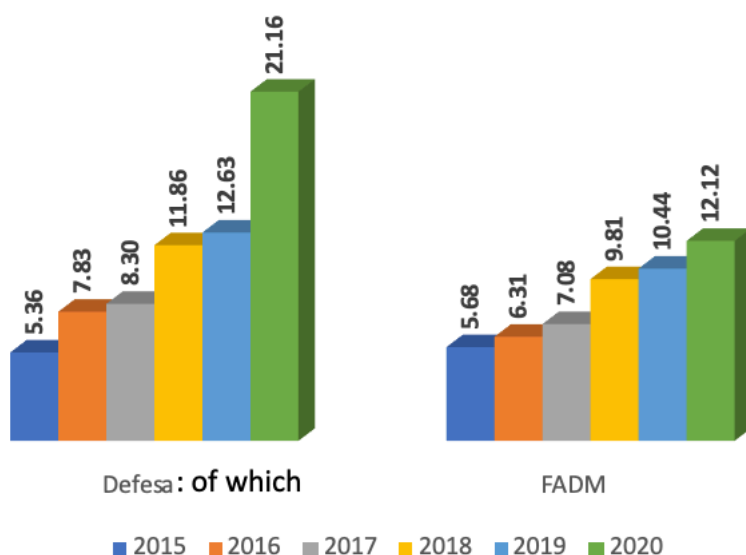
	<u>Expenses incurred</u>	
<u>Year</u>	<u>Defence</u>	<u>Security and Law Enforcement</u>
<u>2015</u>	<u>5.36</u>	<u>14.7</u>
<u>2016</u>	<u>7.83</u>	<u>18.7</u>
<u>2017</u>	<u>8.3</u>	<u>21.06</u>
<u>2018</u>	<u>11.86</u>	<u>24.83</u>
<u>2019</u>	<u>12.63</u>	<u>30.34</u>
<u>2020</u>	<u>21.16</u>	<u>40.68</u>

Source: CGE, 2015-2020

This shows the large increases. It is also possible to extract some components of that spending. Graph 1 shows Defence spending and the spending of the biggest part, the FADM – Forças Armadas de Defesa de Moçambique. We note that in 2020 military salaries were 9.3 billion meticaais and military pensions were 16.1 billion meticaais. It is impossible to know if these are including in the FADM budget or central state pension and personnel spending.

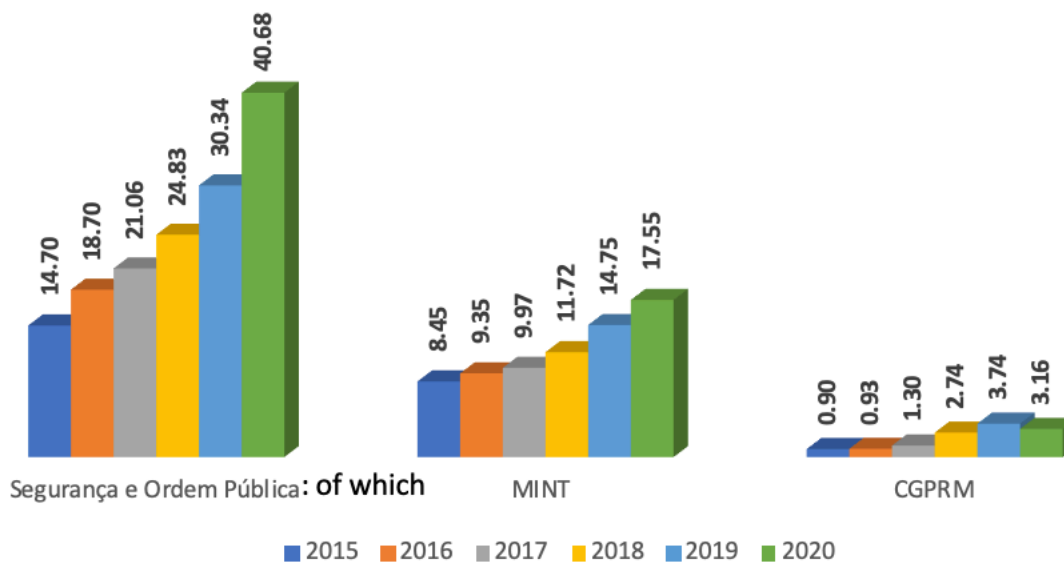
Graph 2 shows spending on Security and Public Order, with three of the major components which are accounted - the Ministry of Interior itself, the police, and SISE. Note that here there are major gaps. For 2020 total Ministry of Interior spending as 40.68 mil milhões de MT, but the three main components were only 25.16 mil milhões de MT, meaning 15.52 mil milhões de MT is not identified.

Graph 1: Realization of Total Defence Expenditure (billions of meticaís)



Source: CGE 2015-2020

Graph 2: Realization of the Total Expenditure on Security and Public Order (billions of meticaís)



Source: CGE 2015-2020

Until late 2020, the UIR of the Ministry of Interior was largely fighting the war, and thus the large increase in the security budget is linked to Cabo Delgado.

To estimate the cost of the Cabo Delgado War, it was considered that any increase is a result of the war

To make a first estimate of the cost of the war, we argue that all increases above the average expenditure growth between the years 2012 to 2016 in the Defence sectors (average annual growth of 14.1%) and Security and Public Order (growth annual average of 16.8%) are due to the war. The partial increases of these sectors reached about 19.44 billion meticaís and 35 billion meticaís, respectively, from 2017 to 2020, totalling about 54.47 billion meticaís in this period. This is shown in table 2.

The total increase is 54.47 billion meticaís, just over \$1 bn. In part 3 of this report, we estimate the cost of foreign military companies at \$154 mn, or 9.7 billion meticaís. In Table 2 we add it to other expenditure, which leads to a total of 64.77 billion meticaís (\$1.1 bn). But it is also possible that it was paid out of 15.52 billion meticaís that cannot be identified.

Table 2: Increased expenditure above the annual average from 2012 to 2016, plus estimated expenditure on hiring foreign private military companies.

Year	Defence (1)	
		Security and Law Enforcement (2)
2017	0,40	1,96
2018	3,46	5,10
2019	4,12	9,68
2020	11,45	18,29
		0
Subtotal	19,44	35,04
(1+2)	54,47	
<hr/>		
(1+2) + PMC		
(9,7 billion meticais)	64,17	

Sources: CGE, 2017-2020+ Source interviews

Operation vs investment

In budgets, expenditure is divided into “operations”, which is salaries, materials and other day to day costs, and “investments” which is buildings and other expenditure for the longer term.

When the \$2 bn secret debt was revealed, donors cut aid and the government of Mozambique sharply cut spending on operations. Graph 3 shows how health and education were both hit, and that education has never recovered. Graphs 4 and 5 show that this also happened with Defence and Security. This left both the FADM and the UIR (Police special unit) less well prepared to combat the war in Cabo Delgado. Investment funding only increased in 2019, when the war was becoming serious.

Finally, in graphs 6, 7, 8, and 9 we show changes in spending on operations and investment. These show clearly that wage bills continued to rise, but defence and security were starved to investment until 2019 when the Cabo Delgado war was becoming serious.

Introduction

From 2017 to 2020, the government declared expenditure on the defence and security sectors amounting to 170.86 billion meticais. This is the amount reported through the General State Accounts (CGE) covering the four years. However, because of the lack of detail in the CGE, it is not possible to distinguish how much of this sum was destined to the fight against terrorism and violent extremism in Cabo Delgado province. Furthermore, it is estimated that the Government spent at least 154 million dollars (corresponding to about 10 billion meticais), that are not reported in the CGE. This sum was destined to hiring private military companies, acquiring military equipment and military training by private companies.

Since the beginning of the Cabo Delgado conflict, the Government, through the Ministry of the Interior (MINT) and the Ministry of National Defence (MDN), has hired at least three private military security companies to provide men, equipment and military assistance to the Mozambican Defence and Security Forces (FDS). Mozambicans do not know how much hiring these companies has cost the State coffers.

It is believed that the Assembly of the Republic (AR) was also not informed about the Government's expenditure on hiring private military companies. On 22 April 2021, Prime Minister Carlos Agostinho do Rosário refused to make statements at a plenary sessions of the Assembly of the Republic, about public expenditure on the Cabo Delgado conflict, alleging that the matter "is reserved to the Defence and Security Forces"¹.

It is not known whether the specialist parliamentary commissions that monitor defence and security expenditure possess information about the war in Cabo Delgado.

While, on the one hand, public expenditure in the defence and security sector, on equipment and military training, is important to endow the forces with the necessary capacities to fight the insurgents, and thus to restore security and stability in the districts that are the targets of attacks, on the other hand, there is a justified concern at the lack of information for the public about the expenditure of the sector.

Lack of transparency and excessive secrecy in the defence sector creates conditions favourable for corruption which in turn may compromise attaining the goals in this sector². The scandal of the hidden debts can be taken as a fresh example of how secrecy in the Defence and Security sector can favour corruption³.

Accountancy and transparency concerning the budget for expenditure on the war in Cabo Delgado should not be confused with publishing operational information of the Mozambican Armed Forces (FADM). In terms of the budgetary process, the defence and security sectors share characteristics with other economic and social sectors. That is, they are subject to the same broad range of rules and procedures that are applied to other sectors. Hence it is essential to give high priority to principles such as transparency and accountability, since the military budget should not be treated differently from the budget of other sectors⁴.

In this article, the Centre for Public Integrity (CIP) analyses the expenditure of the defence and security sector between 2015 and 2020, as a contribution to an informed debate on the financial costs of the Cabo Delgado conflict and the need for accountability.

Methodologically, the expenditure of the defence and security sectors reported in the CGE was analysed and information from alternative, open sources was also used to estimate expenses of the Defence and Security sectors that are not included in the State Budget (OE).

More than 200 adjudications of the sector were analysed to see how much the government spent on contracts in this period, and the evolution of expenditure between 2017 and 2019, as well as the main suppliers of the two sectors. Procurement for the acquisition of military equipment is not included and nor is the hiring of services of private military companies, given the secrecy surrounding these contracts.

1 Mundo ao Minuto (2021) Partidos parlamentares exigem "escrutínio" do custo da guerra. Available on: <https://www.noticiasaoiminuto.com/mundo/1738064/mocambique-partidos-parlamentares-exigem-escrutinio-do-custo-da-guerra>. Consulted on: 23 April 2021

2 Stockholm International Peace Research Institute (2016) Transparency and accountability in military spending. Available on: <https://www.sipri.org/commentary/topical-background/2016/transparency-and-accountability-military-spending>. Consulted on: 22 April 2021

3 CIP (2021) Julgamento das Dívidas Ocultas em Londres: Prinvest tenta a todo custo evitar tribunais ingleses e arrastar o caso para a arbitragem. Available on: <https://cipmoz.org/wp-content/uploads/2021/03/Julgamento-das-Di%CC%81vidas-Ocultas-em-Londres-1.pdf>. Consulted on: 23 April 2021

4 Ball, N. e Roux, L. (2006), A model for good practice in budgeting for the military sector, Available on: <https://www.sipri.org/sites/default/files/files/books/SIPRI-06OmHu/SIPRI06OmHu02.pdf> [Consulted on 6 Aug,2021]

CIP contacted the three private military security companies which allegedly assisted the Defence and Security Forces in fighting the insurgency in Cabo Delgado, or provided defence and security equipment. Only one confirmed that it had been hired by the Mozambican government to help the Defence and Security Forces combat the insurgency in Cabo Delgado and commented on the costs of its operation in Mozambique.

The period chosen allows us to analyse the trend in defence and security expenditure two years before the outbreak of the conflict and three years after the start of the conflict.

1. How much does the State spend on the Cabo Delgado war and how does it spend it?

1.1 Seeking answers from the State Budget

The principles of unity, universality, specification and publication of the budget define in general that all public expenditure should be registered in the State Budget in a sufficiently individualized manner and, after approval by the Assembly of the Republic, published in the official gazette, the *Boletim da República*⁵. The Law on the State Financial Administration System (SISTAFE) states, in article 50, that its execution should be inspected and approved by the Assembly of the Republic, through the General State Account⁶. This means that, from consulting these instruments, it is possible to determine military expenditure in Mozambique, including on the war in Cabo Delgado.

The outbreak of the armed conflict in Cabo Delgado, in addition to its social consequences, had effects on the State Budget planned for the years following its start. As was to be expected, the war is contributing to an increase in the budgetary allocation for the sectors of Defence and Public Order and Security, and a reduction in the budgetary allocations to other social and economic sectors such as health and education, damaging socio-economic stability and increasing the risk of a prolonged conflict (the conflict trap)⁷.

In 2017, the year when the conflict began, the budget executed in the Defence sector was 8.3 billion meticaís. This was 3.4% of total State expenditure that year. Four years later, in 2020, the budget executed for the defence sector was 21.16 billion meticaís, which was 6.0% of total State expenditure for that year. Hence there was an increase of 154.94% in 4 years.

The budget for the sector of Security and Public Order followed the same trajectory. From expenditure of 21.1 billion meticaís in 2017, it rose to 40.68 billion in 2020, a growth of 92.8%, in four years. The weight of the budget for security and public order in total expenditure increased from 8.5% in 2017 to 11.5% in 2020.

As theory and the experience of other countries suggest⁸, the increase in the weight of the sectors directly linked to the conflict (Defence and Security) was accompanied by stagnation, insignificant growth and/or reduction in the budgetary weight of the social sectors in total expenditure. For the case of Mozambique, the weight of the budget for the health sector increased by only 19.7% and in education, there was a decline of 10.55% in the weight of this sector's budget between 2017 and 2020.

Graph 1 shows the evolution of total expenditure spent on the sectors and areas linked to the conflict, from the period prior to the outbreak of the conflict in Cabo Delgado to 2020.

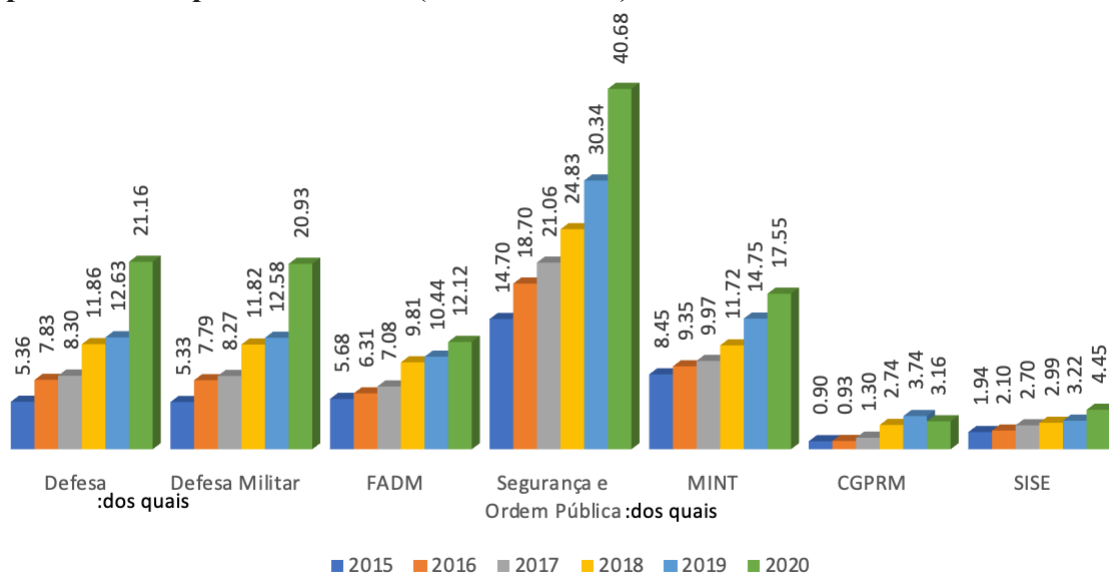
⁵ Article 13 of the SISTAFE Law

⁶ In addition to the Assembly of the Republic, there are other State institutions and bodies, with the power to inspect State expenditure, but the AR is the highest body that performs this task.

⁷ The “conflict trap”, refers conceptually to the vicious circle between conflicts and economic performance, in which the conflicts delay economic growth and development, which in turn increases the likelihood of the occurrence of more conflicts

⁸ FMI (2019), *África Subsariana Recuperação num contexto de elevada incerteza*. Available on: <https://www.imf.org/~media/Files/Publications/REO/AFR/2019/April/Portuguese/sreo0419.ashx>

Graph 1: Total expenditure made (billions of MT)



Defence Military Defence FADM Security and public order MINT CGPRM SISE

Source: CGE 2015-2020/REO 2020⁹

Caption:

FADM – Mozambican Armed Forces;

MINT – Ministry of the Interior

CGPRM – General Command of the Mozambique Republic Police

SISE: State Intelligence and Security Service

From graph 1, it can be seen that from 2015 to 2016 total expenditure made in the defence sector grew by 46, 1%. But from the year of the start of the conflict (2017) to 2020, expenditure undertaken grew by 154.94% (from 8.3 billion in 2017 to 21.16 billion in 2020).

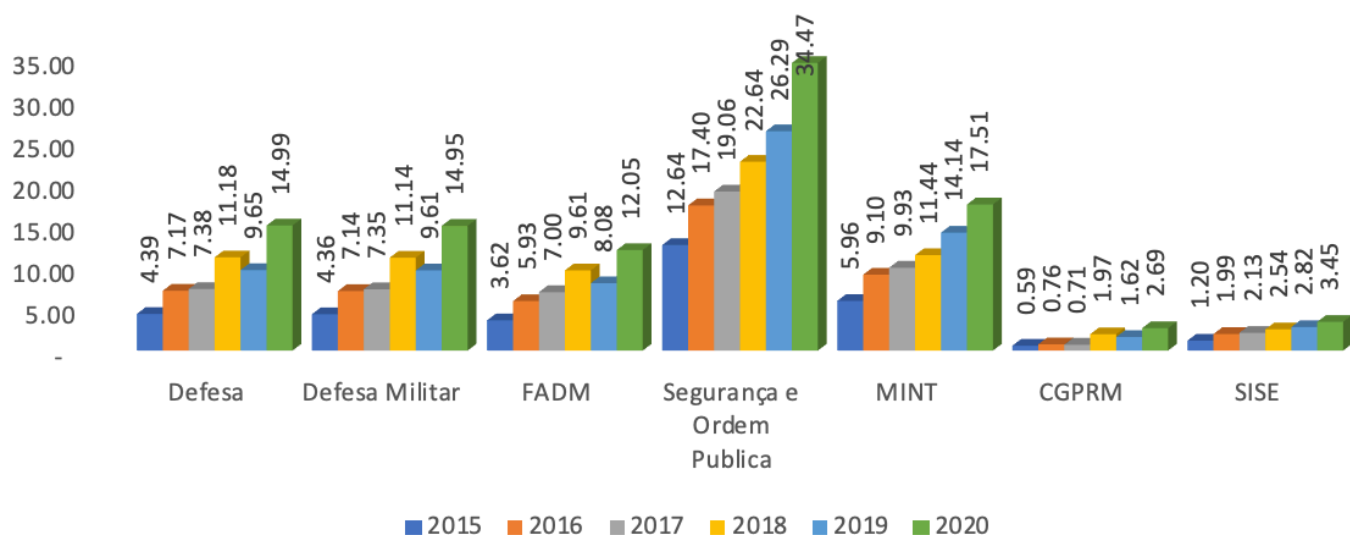
Mention should be made of the expenditure on SISE. Although there are records of this expenditure in the Budgetary Implementation Report of 2020 (and the CGE of the previous years), this expenditure was not registered in the 2020 CGE 2020, raising questions about the reason for this omission.

A detailed analysis of the expenditure of the Ministry of the Interior (MINT), shows that the expenditure made grew by 76.03% from 2017 to 2020 (from 9.97 billion in 2017 to 17.55 billion in 2020), after growing by 10.65% from 2015 to 2016. This shows that the conflict in Cabo Delgado contributed greatly to the increase in expenditure related to MINT.

From 2017 to 2019, the Police, through the Rapid Intervention Unit and the Frontier Guards, were leading the counter-insurgency operations in Cabo Delgado, with the soldiers in a secondary position. This fact may explain the increase in the level of expenditure made by MINT in this period.

⁹ REO 2020 consulted for data on SISE

Graph 2: Expenditure spent on running costs (billions of MT)



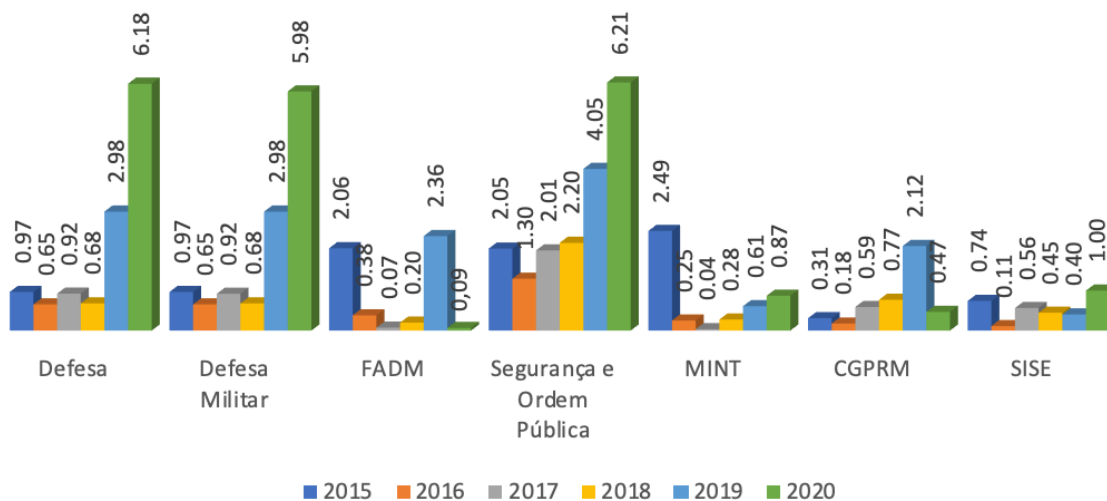
Defence Military Defence FADM Security and public order MINT CGPRM SISE

Source: CGE 2015-2020

The budget spent on running costs is, on average, higher than the capital budget. In Graph 2, the fact stands out that running costs in MINT increased more than in the years prior to the conflict. From 2017 to 2020, the expenditure made in this ministry rose by about 93.5% (from 9.93 billion in 2017 to 17.51 billion in 2020), compared with 52.7% registered before the period of conflict.

In the defence sector, just as in the FADM, the expenditure made recorded a decline from 2018 to 2019 of 1.53 billion metcais (corresponding to 13.69% and 15.92%, respectively), while from 2019 to 2020 there was an increase of 43.52% and 49.13% for the two areas, respectively.

Graph 3: Total capital expenditure (billions of MT)



Defence Military Defence FADM Security and public order MINT CGPRM SISE

Source: CGE 2015-2020

In general, capital expenditure in the Defence and Security sectors and institutions underwent a notable growth in the period after the start of the conflict. In the defence sector, capital expenditure grew by 571.74% from 2017 to 2020 (from 0.92 billion to 6.18 billion metcais), after a decline of 32.29% between 2015 and 2016. For its part, the Security and Public Order sector recorded a growth in capital expenditure of 208.96% from 2017 to 2020, after a decline of 36.58% from 2015 to 2016.

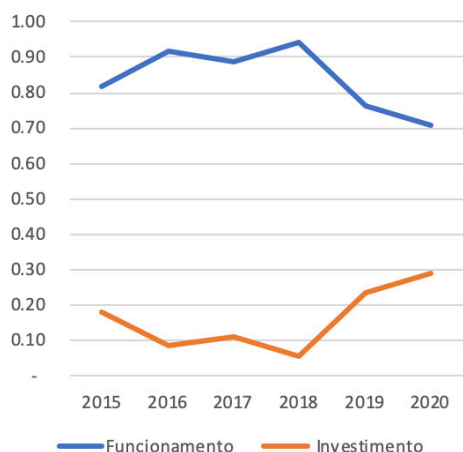
There was also a sharp growth in the sub-sector of military defence, a growth of 550% between 2017 and 2020 (after a decline of 32.98% between 2015 and 2016). The same happened in the FADM, where there was a noteworthy increase in the capital expenditure made, particularly in 2019, the year which marks the start of intensification of the conflict.

This confirms that the outbreak of the Cabo Delgado conflict led the government to invest more in the defence sector.

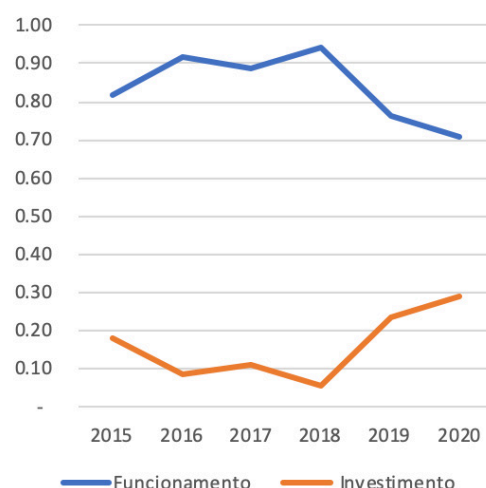
One also notes a sharp increase in SISE capital expenditure, of 37.93% between 2017 and 2020, after recording a decline of 85.14% between 2015 and 2016.

Thus, as can be seen from Graphs 4 and 5 below, as from 2018, the weight of the capital expenditure for the Defence and Security and Public Order sectors increased, at the same time as there was a reduction in the weight of the running costs, which had been recording a growth trend in the period before the conflict. That is, the start of the Cabo Delgado conflict created pressures for increasing the level of investment in defence and security.

Graph 4: Weight of running costs and capital costs in the total expenditure of the Defence sector



Graph 5: Weight of running costs and capital costs in the total expenditure of the Security and Public Order sector



Running costs Capital expenditure

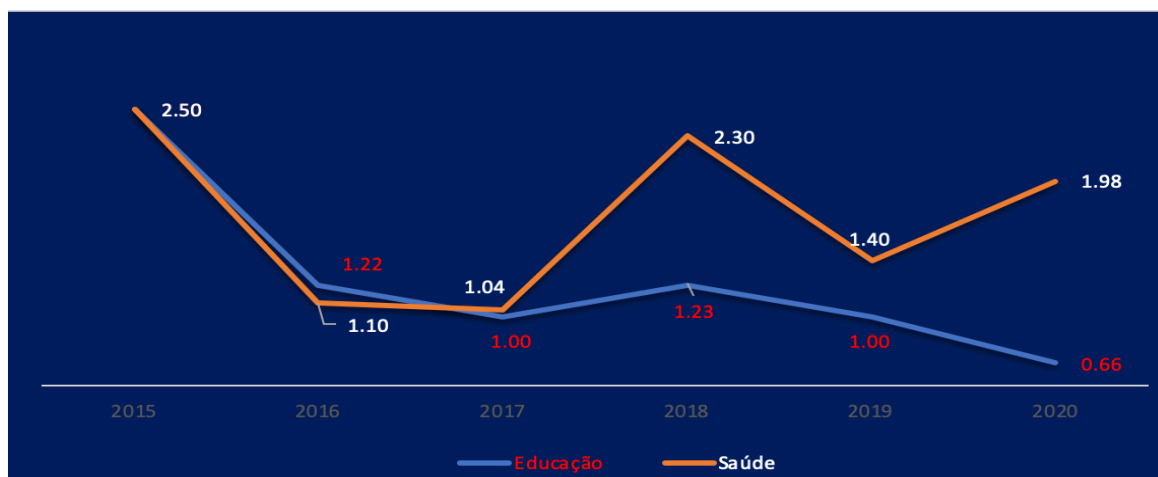
Running costs Capital expenditure

Source: CGE 2015-2020

1.2 Less money for education and health

In the two years following the start of the conflict, the increase in the weight of the sectors directly linked to the conflict (Defence and Security and Public Order) was inversely accompanied by a reduction in the weight of the budget for the social sectors in total expenditure. Specifically, the weight of the budget for the health sector increased by only 9.3% and in education the weight of the sector's budget shrank by 6.9%, between 2017 and 2020.

Graph 6: Internal capital expenditure¹⁰ in the Education and Health sectors (in billions of Meticaís)



Source: CGE 2015-2020

¹⁰ Capital expenditure in the Defence and Security and Public Order sectors is financed with resort to internal funds

From 2015 to 2016 internal capital expenditure in the education sector shrank by 51.2%. After the start of the conflict (from 2017 to 2020), internal expenditure in this sector fell by 34%. This shows that the education sector was recording a reduction in internal capital expenditure before the period of the war. However, this reduction is becoming sharper in the period after the start of the conflict.

A look at the internal expenditure made in the health sector shows that, after a sharp reduction from 2015 to 2016, there was a significant increase in internal investment from 2016 to 2018 (from 1.04 billion to 2.3 billion meticaís). But in 2019, a year marked by the intensification of the conflict, there was a reduction in the internal investment made of 60%, to 1.4 billion meticaís.

The increase in capital expenditure in the education sector in 2020 can largely be explained by the investments made to finance the rehabilitation and construction of schools, water sources and school bathrooms, to prevent the spread of Covid-19.

Thus while the investments in the sectors of defence and security and public order are growing exponentially (by 571.74%, and 208.96% from 2017 to 2020, respectively), in education there has been a significant reduction (34% in annual negative growth) and in the health sector investment oscillates, with an average growth of 97.5%¹¹.

Apart from the need to scrutinise expenditure in the defence and security sectors, in the medium and long terms it is necessary to balance investments in the defence and security sectors and those in the social sectors in order to avoid the conflict trap. The nature of the Cabo Delgado conflict demands a response that is not only military, but also involves expanding and improving the State’s social services, since education and health are essential services for satisfying citizens’ needs.

2. Looking for answers from the procurement of the Ministries of Defence and of the Interior

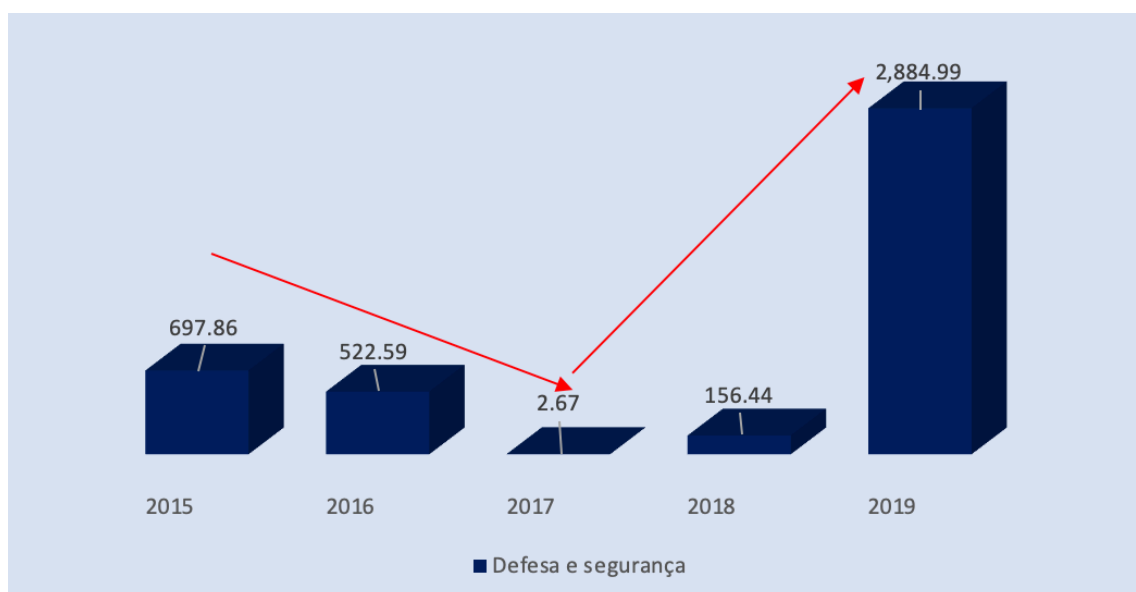
A part of the State Budget allocated to the defence and security sector is spent on acquiring goods and services such as weapons and military equipment, logistics for operation and maintenance (food, travel, fuel, etc.), civil construction (military bases and infrastructures, police posts, etc.)¹², among others. In effect, analysing the procurement of the defence sector allows us to assess what are the main goods and services acquired by the sector, how much is spent on acquiring them and who the main suppliers are.

For purposes of this article, 240 adjudications of the Ministry of Defence and the Ministry of the Interior between 2015 and 2019 were analysed. About 4.2 billion meticaís was spent on contracts to acquire goods and services for the defence and security sector, which amounts to about 2.7% of the total expenditure of these two sectors in the period under consideration.

The analysis in this section does not cover procurement to acquire weapons or military equipment, or for the hiring of private military companies. This matter is dealt with in the following section.

Between 2015 and 2016, the government was spending an average of 25.4 million meticaís a month on the procurement of the defence and security sectors, but in the two years after the start of the conflict, that is in 2018 and 2019, the Government spent a monthly average of 126.7 million meticaís, an average increase of more than 500% in just two years.

Graph 7. Expenditures of the Defense and Security sectors with acquisitions of goods and services of a non-military nature (Millions of Meticaís).



Source: Contract awards

¹¹ A rate that may have been greatly influenced by the need to increase investments arising from the COVID-19 pandemic.

¹² Stockholm International Peace Research Institute-SIPRI (2017) Monitoring military expenditure. Available on: <https://www.sipri.org/commentary/topical-back-grounder/2017/monitoring-military-expenditure>. Consulted on 9 April 2021

From the analysis of expenditure by the Defense and Security sectors with the acquisition of non-military goods and services, between 2015 and 2019, two main trends can be seen. The first is that from 2015 to 2017 - the period prior to the Cabo Delgado war - there is a drop in spending in the Defense and Security sectors, with the acquisition of goods and services of a non-military nature. The second runs from 2017 to 2019, after the beginning of the Cabo Delgado conflict, in which there is an exponential increase in these expenses.

From 2015 to 2016 - the drop in spending on the acquisition of non-military goods and services is less significant and is estimated at 25%. From 2016 to 2017- there is a significant reduction of 99.4% which may have been influenced by the suspension of direct support to the State Budget by donors following the discovery of the hidden debts.

Following the beginning of the Cabo Delgado war, there was an huge increase in the expenditure of the Defense and Security sectors, with the acquisition of goods and services of a non-military nature, jumping from 2 million meticais in 2017 to more than 2 billion meticais in 2019. Graph 7 shows that the most significant increase occurred in the period from 2018 to 2019 when the Cabo Delgado conflict reached large scale, with the resurgence and spread of terrorist attacks in the province.

Data on the acquisition of goods and services of a military nature, such as the contracting of private military companies (PMC) and the acquisition of military equipment and training, are not available to the general public. However, it is estimated that the Government has spent at least about 10 billion meticais on hiring PMC, which is equivalent to 5.8% of the expenditure of the Defense and Security sectors in the last 3 years (2017-20).

2.1 The largest suppliers of the Defence and Security sector

Between 2015 and 2019, ten (10) companies stood out as major suppliers to the defence and security sector, judging from the amounts they obtained from this sector’s contracts. This section presents the names of the companies, their shareholders, and how much they invoiced.

Graph 8. The largest suppliers of the Defence and Security sector



Source: Contract awards

1. With a total of adjudications valued at 969.2 million meticais, about 24% of the total amount of the sector’s adjudications in this period, the Indústria Nacional de Uniformes Policiais (INUPOL, Lda. – National Industry of Police Uniforms), based in Maputo, was the company that billed the largest sums with the defence and security sector contracts. It thus occupies first place in the list of the top ten suppliers of the sector. INUPOL is owned by Mozambique Holdings, Limitada and Chicamba Investimentos, SARL¹³.

Mozambique Holdings, Limitada is owned by José Parayanken, Deepak Joseph Parayanken, Dolly Merita José and Sheila Mary Phelan¹⁴. Mozambique Holdings describes INUPOL as a joint venture between this company and the Ministry of the Interior¹⁵. Mozambique Holdings is a major actor in the defence and security sector, since it is also a partner in the Fábrica de Uniformes Militares (FAUMIL – Military Uniforms Factory) which is a joint venture between the holding and the Defence Ministry¹⁶. José

13 BR nº 39, III Series of 25 September 2002- page 1478

14 BR nº 91, III Series of 14 May 2020- page. 2689

15 Mozambique Holdings. Available on > <http://www.mhl.co.mz//>. Consulted on 6 Aug 2021

16 Mozambique Holdings. Available on > <http://www.mhl.co.mz//>. Consulted on 6 Aug 2021

Parayanken, an Indian businessman operating on the Mozambican market since the 1990s, is the strong man behind Mozambique Holdings, Lda, one of the majority partners of INUPOL. Parayanken came to Mozambique for the first time in 1986, as a representative of the EXIM Bank of India. He later left this bank, one of the major financing agencies for the Mozambican government, to become a businessman in the country¹⁷.

2. In second place is the company **Armazéns Anita & Serviços, Lda**, a company that sells groceries, with adjudications of 430.7 million meticais, about 10% of the total, for the supply of foodstuffs to the defence and security sector. The partners in the company are José Raul Alves Pinhal Júnior and Culssum Amad¹⁸.
3. In the next position, with adjudications valued at 294.8 million meticais, accounting for 7% of the total, is the company **Lacmane Comercial, Limitada**. The owners of the company are Arvinkumar Lacmane, Nilam Arvinkumar, Bijal Arvinkumar Lacmane and Jatin Arvinkumar Lacmane¹⁹.
4. The company **Armazéns Munira, Lda (whose ownership could not be ascertained)**, occupies fourth position in the ranking, with adjudications valued at 151.9 million meticais, representing about 4% of the total.
5. In fifth position in the ranking is the **Grupo ACI, Lda** with adjudications of 128.9 million meticais, 3.2% of the total. The company is owned by Mahomed Zahid Abdul Carimo Ismail and Asslam Abdul Carimo²⁰.
6. In the next position is **ATA Construções, Lda** with adjudications estimated at 89 million meticais, or 2.2% of the total. The owners of the company are Mehmet Ali Çoban, Suleyman Çoban, Muhammed Yussuf Çoban, Bilal Çoban, Muhammed Said Birlık and Murat Kurt²¹.
7. In seventh position is **Supermercado da Baixa, Lda** with 71 million meticais, 1.7% of the total adjudications in the defence and security sector. The company is owned by Mahomed Faruk Esmail Mahomed, Muhammad Hassan Faruk Esmail, Anisha Banoo Faruk Esmail, Amrin Faruk Esmail and Zaheda Abdul Gafar²².
8. **MHL, AUTO, SA**, the company that supplies vehicles of the Mahindra brand for the State, occupies the eighth position in the ranking of defence and security adjudications with 60.9 million meticais, or 1.5% of the total. This company is also owned by the group Mozambique **Holdings, Lda**²³ controlled by José Parayanken, Deepak Joseph Parayanken, Dolly Merita José and Sheila Mary Phelan²⁴.
9. In ninth position is **Nantong Construction, Lda**, with adjudications valued at 60.7 million meticais, accounting for 1.4% of the total. The company is owned by Dajian Chen and Jihua Ding²⁵.
10. Closing the top 10 of the largest suppliers for the defence and security sector is **Unibasma, Lda** with adjudications to the value of 53.6 million meticais, or 1.3% of the total. The partners in the company are Tarlal Basma, Ramez Mohamed Basma, Mohamed Hassan Basma, Hussein Basma, Mohamed Tarlal Basma, Mohamed Ramez Basma, Faisal Dakhalah Antar, Ibrahim Dakhalah Antar, Allie Basma, and Joseph Basma²⁶.

The 10 largest suppliers for the defence and security sector in these five years operate precisely in the areas where traditionally the sector spends most, namely uniforms, civil construction and foodstuffs.

3. Looking for answers in the secret expenditure on private military companies

Outside of the purchases published on the Internet site of UFSA (Functional Unit for Supervising Acquisitions) and in the largest circulation newspaper in Mozambique, the Defence and Security sectors make other acquisitions that do not undergo public scrutiny, with the justification that these are matters of State secrets. To face the attacks in Cabo Delgado, the government hired private military companies to assist the FDS in combat, training, advice and even supply of equipment in Cabo Delgado. These purchases and hiring took place under cover of State secrecy, but were made public mainly by the specialist international press.

Since September 2019 the government has signed contracts with at least three private foreign military companies to assist the Defence and Security Forces in fighting the insurgency in Cabo Delgado province. The public expenditure involved in hiring these companies is not publicly known. However, it is known that the hiring of private military companies involves extremely high costs²⁷.

Estimates based on information available in open sources indicate that the government has spent 154.8 million dollars (about 10 billion meticais).

17 CIP (2012) Parcerias-Público Privadas, Concessões Empresariais e Resoluções do Conselho de Ministros: Governo de Guebuza Concede Tratamento Preferencial a Empresas da Nomenclatura. Available on: https://www.academia.edu/4061986/Governo_de_Guebuza_Concede_Tratamento_Preferencial_a_Empresas_da_Nomenclatura. Consulted on 6 Aug 2021

18 BR nº 50, III Series, Supplement of 14 December 2006- page. 2952-(2)

19 BR nº 184, III Series of 20 September 2019- page. 6119

20 BR nº 44, III Series, 3rd Supplement, 5 November 2012- page 1344-(88)

21 BR nº 68, III Series of 9 April 2019- page. 2137

22 BR nº 38, III Series of 26 February 2020- page 1214

23 Mozambique Holdings. Available on > <http://www.mhl.co.mz/>. Consulted on 6 Aug 2021

24 BR nº 91, III Series of 14 May 2020- page 2689

25 BR nº 16, III Series, 3rd Supplement, of 27 April 2009- page 306-(54)

26 BR nº 19, III Series, Supplement of 10 May 2007- page 402-(21)

27 Global Risks Insights (2021) Mozambique and the Fight Against Insurgency. Available on: <https://globalriskinsights.com/2021/02/too-many-mercenaries-in-mozambique/>. Consulted on 10 April 2021

Table 1. Estimates of expenditure on goods and services contracted from private military companies

Supplier	Goods and Services	Quantity	Approximate price (USD)	Total (USD)
Wagner Group	Private equipment and soldiers	N/A	N/A	N/A
Dyck Advisory Group	Private equipment and soldiers	N/A	30.000.000,00	30.000.000,00 ²⁸
Paramount Group	Gazelle helicopters ²⁹	4	550.000,00	2.200.000,00 ³⁰
Paramount Group	Mi-24 helicopters ³¹	2	35.000.000,00	70.000.000,00 ³²
Paramount Group	Reconnaissance aircraft (Mwari) ³³	1	10.000.000, 00	10.000.000, 00 ³⁴
Paramount Group	Marauder Armoured Vehicles ³⁵	12	220.000,00	2.640.000,00
Paramount Group	FADM training ³⁶	N/A	N/A	40.000.000,00 ³⁷
Total				154.840.000,00

Source: compiled by the authors from open sources and interviews

The Wagner Group, a company controlled by the Russian businessman Yevgeny Prigozhin, who has strong connections with Russian President Vladimir Putin, was the first private military company to operate in Cabo Delgado, helping the Mozambican Armed Forces (FADM) to combat the insurgency. Between September and December 2019, Wagner private soldiers were seen operating in Cabo Delgado³⁸.

The Mozambican government’s choice of the Wagner Group was criticised in the community of private military companies. OAM and Black Hawk, two private military companies based in South Africa, and who claim experience in southern African countries, claim that they made “strong” and “first class” proposals to operate in Cabo Delgado but were rejected by the Mozambican government³⁹. The two companies questioned the nature of the public procurement used to hire the WG⁴⁰.

There is still no public information about how much the government spent in contracting the Wagner Group. However, according to the *Moscow Times*, a low level military officer, working for the WG, earns about 259,000 meticaais (USD 4,700) a month, equivalent to 3.1 million meticaais per year⁴¹.

Dyck Advisory Group – After the withdrawal of Wagner from Cabo Delgado, in April 2020 the Mozambican government hired the *Dyck Advisory Group* (DAG), a private military company based in South Africa, and controlled by the Zimbabwean Colonel Lionel Dyck. DAG was hired to provide air support for the Defence and Security Forces in their fight against the insurgents. In July 2020 the government extended the initial three month contract with the DAG to include the component of training Mozambican soldiers on the ground⁴². It was expected that the Government’s contact with DAG would expire in April 2021. This happened and there was no further renewal.

The sums involved in hiring the DAG were not made public, but a source linked to the company’s operations revealed that the Ministry of the Interior paid 30 million US dollars to the DAG for all its operations in Mozambique. In the final months of the operations, payments to the DAG were made in euros, but the amount in dollars came to 30 million. **The Paramount & Burnham Global consortium** – A few months before the end of the contract with the DAG, the Government turned its attentions towards

28 Information provided by a reliable source linked to the operations of DAG;
 29 **Africa Intelligence** (2020) Paramount and Lionel Dyck massively boost Nyusi’s firepower. Available on: https://www.africaintelligence.com/eastern-and-southern-africa_business/2020/12/10/paramount-and-lionel-dyck-massively-boost-nyusi-s-firepower,109626690-eve. Consulted on 5 Aug 2021
 30 Estimated cost. Available on: https://www.globalplanesearch.com/helicopters/turbine/single/eurocopter/sa_341_gazelle.htm/ <http://sa341.com/index.htm>. Consulted on 5 Aug 2021
 31 Africa Intelligence (2021) Nyusi receives first ISR planes from Paramount. Available on: https://www.africaintelligence.com/eastern-and-southern-africa_business/2021/07/12/nyusi-receives-first-isr-planes-from-paramount,109679008-art. Consulted on 5 Aug 2021
https://www.africaintelligence.com/eastern-and-southern-africa_business/2021/07/12/nyusi-receives-first-isr-planes-from-paramount,109679008-art
 32 Helicopter Specs (2019) Mi-24P-1M Specs, Engine, Cockpit, and Price. Available on: <https://www.helicopterspecs.com/2019/11/mil-mi-24p-1m.html>. Consulted on 5 Aug 2021
 33 Africa Intelligence (2021) Nyusi receives first ISR planes from Paramount. Available on: https://www.africaintelligence.com/eastern-and-southern-africa_business/2021/07/12/nyusi-receives-first-isr-planes-from-paramount,109679008-art. Consulted on 5 Aug 2021
 34 WeapoNews.com (2017) Multi-purpose combat aircraft Mwari (South Africa / USA). Available on: <https://weaponeews.com/weapons/2542-multi-purpose-combat-aircraft-mwari-south-africa-usa.html>. Consulted on 5 Aug 2021
 35 Africa Intelligence (2020) Paramount and Lionel Dyck massively boost Nyusi’s firepower. Available on: https://www.africaintelligence.com/eastern-and-southern-africa_business/2020/12/10/paramount-and-lionel-dyck-massively-boost-nyusi-s-firepower,109626690-eve. Consulted on 5 Aug 2021
 36 Africa Intelligence (2020) Paramount and Lionel Dyck massively boost Nyusi’s firepower. Available on: https://www.africaintelligence.com/eastern-and-southern-africa_business/2020/12/10/paramount-and-lionel-dyck-massively-boost-nyusi-s-firepower,109626690-eve. Consulted on 5 Aug 2021
 37 Estimates of the cost of the training provided by Paramount to the FADM, according to specialists interviewed;
 38 Global Risks Insights (2021) Mozambique and the Fight Against Insurgency. Available on: <https://globalriskinsights.com/2021/02/too-many-mercenaries-in-mozambique/>. Consulted on 10 April 2021
 39 *Moscow Times* (2019) In Push for Africa, Russia’s Wagner Mercenaries Are ‘Out of Their Depth’ in Mozambique. Available on: <https://www.themoscowtimes.com/2019/11/19/in-push-for-africa-russias-wagner-mercenaries-are-out-of-their-depth-in-mozambique-a68220>. Consulted on 10 April 2021
 40 Global Risks Insights (2021) Mozambique and the Fight Against Insurgency. Available on: <https://globalriskinsights.com/2021/02/too-many-mercenaries-in-mozambique/>. Consulted on 10 April 2021
 41 *Moscow Times* (2019) In Push for Africa, Russia’s Wagner Mercenaries Are ‘Out of Their Depth’ in Mozambique. Available on: <https://www.themoscowtimes.com/2019/11/19/in-push-for-africa-russias-wagner-mercenaries-are-out-of-their-depth-in-mozambique-a68220>. Consulted on 10 April 2021
 42 Zitar News (2020) Mozambique Extends DAG Mercenary Contract for Cabo Delgado War. Available on: <https://zitar.com/mozambique-extends-dag-mercenary-contract-for-cabo-delgado-war/>. Consulted on 10 April 2021.

Paramount, a South African company specialized in providing technological and security solution for countries affected by armed conflicts. Unlike WG and DAG, the military company headed by the South African Ivor Ichikowitz does not supply private soldiers to governments, but military equipment (armoured vehicles, helicopters), training and strategic advice.

On 23 February 2021, *Burnham Global*, a company based in Dubai and specialised in military training solutions, published a press release on its website with the information that, together with the South African security company *Paramount*, it had signed a multi-million dollar contract with an African government to supply military equipment and strategic advice⁴³. Evidence indicates that the country mentioned in the release is Mozambique. Two helicopters of the type provided by *Paramount* with the colours of the Defence and Security Forces were seen at Nacala airport in February⁴⁴.

The contract with *Paramount* includes, among other items, the supply of 4 Gazelle type helicopters, 2 Mi-24 helicopters, 12 Marauder type armoured vehicles, Mwari type reconnaissance aircraft and training of FDS men, according to reports in the international press.⁴⁵ Each of these helicopters costs almost USD 556,771 on the international market. Furthermore, each of the armoured vehicles supplied by *Paramount* costs about USD 220,000⁴⁶.

The military training also involves costs for the State coffers. Estimates by specialists in the matter are that the training is costing the Mozambican State about 40 million dollars.

It is understood that investment in the FDS is necessary as a measure seeking to improve the military response in fighting the insurgents in Cabo Delgado. Strengthening military logistics and supplying training and adequate military equipment to the forces are necessary. However, it is important that these investments should be publicly scrutinised so that they do not slip into corruption, and so that their final goal is not distorted.

There is a belief that the intervention by foreign forces in Mozambique, particularly that of Rwanda, the sources of finance for which are unknown, may be following the same pattern of secrecy just like the hiring of the private military companies. Although the President of the Republic has stated that the intervention by Rwanda has no cost for Mozambique⁴⁷, civil society organisations (CSOs)⁴⁸ fear that the costs of the military operations by Rwanda in Cabo Delgado might be being financed by world powers who, in future, will be rewarded with Mozambican natural resources. The press mentions that France might be one of the powers financing the Rwandan intervention in Cabo Delgado, with the bill to be paid in the future by the Mozambicans.⁴⁹

4. Possibility of financing the war with funds outside the State Budget

Although the budgetary indicators and the adjudications show a trend to growth in public expenditure on defence and security in the years following the start of the conflict, because of the lack of detail in the CGE, it is not possible to distinguish how much is destined to fighting against the insurgency in Cabo Delgado. Besides, the fact that Parliament, in April 2021, requested an explanation from the government on the costs of hiring private military companies, and the experience of other African countries facing terrorism – such as the case of Nigeria which is spending about USD 1.9 billion annually to combat the Boko Haram insurgency⁵⁰ – suggest that the Government may be resorting to extra-budgetary funds – income, costs and financing that are not included in the State Budget⁵¹ – to combat the insurgency in Cabo Delgado.

The resort by governments to funds that are not part of the State budget to finance the defence and security sector is very common, particularly in contexts of conflict. Traditionally governments finance wars either through taxes on their citizens or through public indebtedness⁵². However, there are extra-budgetary mechanisms to which governments resort and which result in concealing the real scale of military expenditure, such as, for example, *i)* acquisition of military equipment through “terms of credit to the supplier”; *ii)* inclusion of military expenditure in the operational budgets of other sectors; *iii)* official military assistance by foreign governments⁵³. In countries rich in natural resources, there is also a tendency for governments to resort to another source of extra-budgetary resources to finance military expenditure: *iv)* the revenue from projects to exploit natural resources⁵⁴.

43 Burnham Global (2021), Paramount Group and Burnham Global Sign Training Contract With African Government. Available on: <https://burnham.global/news-insights/paramount-group-and-burnham-global-sign-training-contract/>. Consulted on 11 April 2021.

44 Club of Mozambique (2021) Additional helicopters to join the Mozambican military as mercenaries are eased back. Available on: <https://clubofmozambique.com/news/additional-helicopters-to-join-the-mozambican-military-as-mercenaries-are-eased-back-187661/>. Consulted on: 25 April 2021

45 Club of Mozambique (2021) Additional helicopters to join the Mozambican military as mercenaries are eased back. Available on: <https://clubofmozambique.com/news/additional-helicopters-to-join-the-mozambican-military-as-mercenaries-are-eased-back-187661/>. Consulted on: 25 April 2021

46 Available on: <https://expandusceramics.com/qa/how-much-is-a-marauder-armored-vehicle.html>. Consulted on 25 April 2021

47 República de Moçambique (2021). “Comunicação à Nação de Sua Excelência Filipe Jacinto Nyusi, Presidente Da República De Moçambique, Sobre A Situação De Segurança Na Província De Cabo Delgado”, p. 03

48 CDD (2021) Quanto vai custar e como será paga a factura da crescente militarização de Cabo Delgado?, In Política Moçambicana. Available on <https://cddmoz.org/wp-content/uploads/2021/07/Quanto-vai-custar-e-como-sera-paga-a-factura-da-crescente-militarizacao-de-Cabo-Delgado.pdf>. Consulted on 6 Aug 2021

49 Público (2021). Cabo Delgado, a guerra por procuração da França. Available on <https://www.publico.pt/2021/07/28/mundo/noticia/cabo-delgado-guerra-procuracao-franca-1972210>. Consulted on 6 Aug 2021

50 <https://theconversation.com/why-theres-a-mismatch-between-funding-for-nigerias-military-and-its-performance-149554>

51 SIPRI (2017) Ending off-budget military funding: Lessons from Chile. Available at: <https://www.sipri.org/commentary/topical-background/2019/ending-budget-military-funding-lessons-chile>. Consulted on 6 Aug 2021

52 SIPRI (2017) Monitoring Military Expenditure. Available at: <https://www.sipri.org/commentary/topical-background/2017/monitoring-military-expenditure>. Consulted on 27 April 2021

53 McDonald, B (1997) Military Spending in Developing Countries: How much is too much?, Carleton University Press, Canada

54 Hamid et al (2013), Defence and Peace Economics (2013): Military Expenditures and Natural Resources: Evidence from Rentier States in the Middle East and North Africa, Defence and Peace Economics. Disponível em:https://www.researchgate.net/publication/273332595_Defense_Spending_Natural_Resources_and

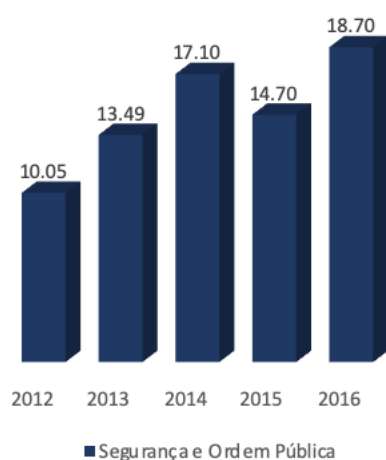
The fact that the sums spent on hiring the private military companies are not reflected in the REO and in the CGE suggests that the Government may be resorting to one of these mechanisms or others to finance the fight against the insurgency in Cabo Delgado. The risk in this is the absence of external control of these resources, since they are not included in the State Budget. Without the external control of this expenditure, the risks of corruption or of diverting the resources are very high. The case of the hidden debts is a recent example of the use of extra-budgetary resources by the Government through the defence and security sector for the acquisition of military equipment.

5. How much the State spent on the Cabo Delgado War

CIP estimated the costs of the Cabo Delgado War in the period 2017 to 2020 based on data available in the General State Account. A prior analysis was carried out to assess the average annual growth rate of expenditure in the Defence and Security and Public Order sectors to serve as the basis for the estimation. Therefore, any increase in expenditure in these two sectors, above the average annual growth recorded between 2012 and 2016, is justified by the Cabo Delgado War, in particular.

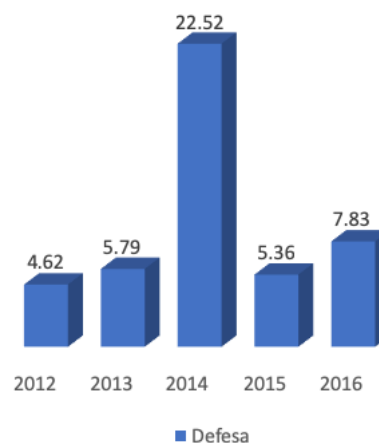
Thus, Graphs 9 and 10 show how spending grew in the years 2012 to 2016 by Billion Meticaís.

Graph 9: Evolution of Expenditure in the of Security and Public Order from 2012 to 2016



Graph 10: Evolution of Expenditure in the Sector

Sector Defence from 2012 to 2016



Source: CGE 2012-2016

Spending in the Defence and Security and Public Order sectors grew at an annual average of 14.1% and 16.8%, respectively. On this basis, the annual and total cost of 64.17 billion meticaís (corresponding to about USD1.1 billion) of the Cabo Delgado war from 2017 to 2020 was estimated (Table 2).

Table 2: Increased expenditure above the annual average from 2012 to 2016 d, plus estimated expenditure on hiring foreign private military companies.

Year	Defence (1)	
		Security and Law Enforcement (2)
2017	0,40	1,96
2018	3,46	5,10
2019	4,12	9,68
2020	11,45	18,29
		0
Subtotal	19,44	35,04
(1+2)	54,47	
(1+2) + PMC		
(9,7 billion meticaís)	64,17	

Sources: CGE, 2017-2020+ Source interviews

6. Conclusion

Government expenditure on military logistics, equipment and training in order to strengthen the capacity of the defence and security forces is necessary so as to improve their response faced with the attacks of the insurgents. However, it is important that the expenditure be subject to public scrutiny and by the Assembly of the Republic, as well as by the bodies of internal control.

We estimated, based on data available in the General State Account, that the war in Cabo Delgado cost at least 64.17 billion meticaís (USD 1.1 billion), of which 19.44 billion meticaís in the sector Defence, 35.04 billion meticaís in the Security and Public Order sector and 9.7 billion with hiring private military companies.

The government has not shown accountability for the amounts spent on hiring private military companies and for the acquisition of military equipment and training. The lack of transparency, associated with the weakening of the mechanisms of inspection, because of the context of insecurity, could favour the occurrence of corrupt schemes, through the manipulation of procurement, and diversion of funds, among others. In turn, corruption may contribute to prolonging the conflict and to weakening the government's response to the insurgency.

Examples and good international practices of governance in the defence sector show that transparency is fundamental, and is not limited only to making available to the public information about government expenditure in the defence and security sector, bearing in mind that, given the sensitivity of some materials, it is normal that governments want to maintain a certain degree of confidentiality. But, as an alternative and to safeguard transparency, some government opt to set up monitoring and control mechanisms which involve, for instance, divulging information regarded as confidential and classified to inspecting bodies or commissions, such as the Assembly of the Republic, through its Commission on Defence, Security and Public Order⁵⁵.

Although justified by the need to improve the response of the FDS to the insurgency in Cabo Delgado province, the hiring of private military companies errs for the lack of transparency. The Government has defended itself with the argument that the hiring of private military companies is a matter reserved to the FDS, in order to conceal from citizens information of relevant public interest. But the lack of public scrutiny of expenditure on the war in Cabo Delgado may favour corruption and damage the State, as has already been seen with the hidden debts.

Although the President of the Republic has stated that the intervention of Rwanda has no costs for Mozambique, it is feared that the intervention by Rwanda in Cabo Delgado might be following the same pattern of secrecy as the hiring of the private military companies, and that, in the future, the bill will be paid by Mozambicans.

For the sake of transparency, it is important to know what sources of financing the government has resorted to in order to finance the costs of the conflict and how much it has really spent and is spending on fighting the insurgency in Cabo Delgado. Making this information public does not expose military secrets. On the contrary, it allows public scrutiny of government expenditure and contributes towards preventing corruption in the sector. It is lack of transparency that can create opportunities for corruption and lead to the failure of the FADM's mission.

Specialists point to the lack of transparency in procurement, corruption and the absence of mechanisms to monitor and control the funds allocated to the defence and security sector as some of the main factors which lead to the inefficiency of defence forces in the fight against terrorism. The example of Nigeria, where corruption has undermined the efforts of the government in the fight against Boko Haram, is highly illustrative⁵⁶.

The Government should take this aspect into account in managing the insurgency in Cabo Delgado, otherwise it risks inefficient use of the scarce resources that the country has at its disposal, as can be seen in the State Budgets.

55 Transparency International (2011) The Transparency of National Defence Budgets. Available on: https://transparency.ge/sites/default/files/post_attachments/Report%20on%20Defence%20Budget%20Transparency. Consulted on 24 April 2021

56 Abiodun, T (2020) Why there's a mismatch between funding for Nigeria's military and its performance. Available on <https://theconversation.com/why-theres-a-mismatch-between-funding-for-nigerias-military-and-its-performance-149554>. Consulted on 24 April 2021

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Appendix I.

Adjudications of the Defence and Security Sectors 2015–2019

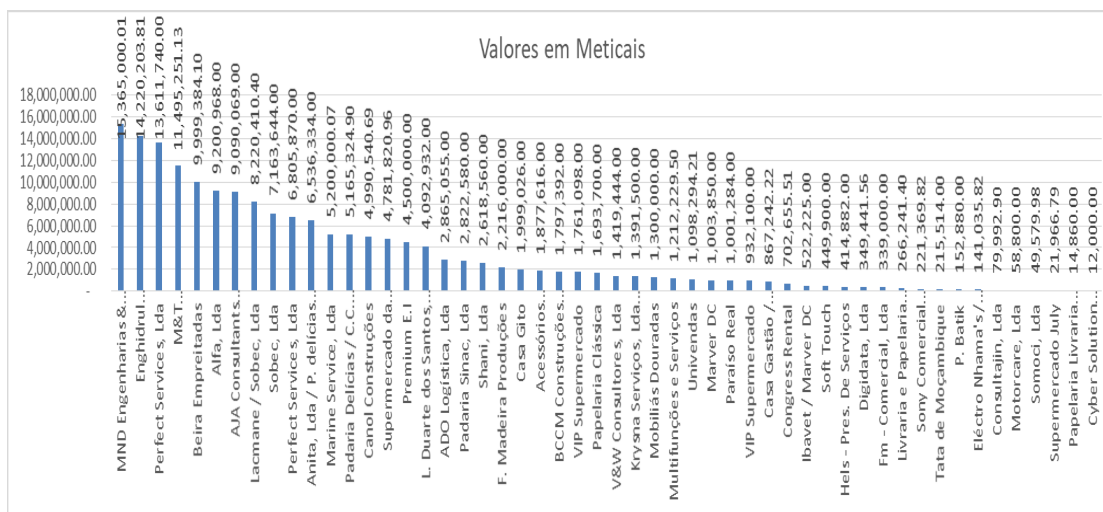
In 2015 the Government spent approximately 697.8 million meticaís on adjudications in the defence and security sector. The company **Nantong Construction Group, Ltd** which won a tender budgeted at 60. 7 million meticaís, occupied first place in the ranking of the companies who invoiced most with the sector’s contracts in 2015. At the other extreme, **Cyber Solution, Lda**, with 12,000 meticaís, was the company with the lowest bill for defence and security adjudications in that year. The ten largest contracts of 2015 were for civil construction and logistics, as shown in Graph 1.

In 2016 the Government spent approximately 522.5 million meticaís on acquiring goods and services for the defence and security sector. The companies **Gold Group, Lda; Lacmane Comercial, Lda; Sheran Serviços, Lda; Kazi Trades, Lda; Grupo ACI, Lda** and **Armazéns Caracol** together billed the sum of 113.2 million meticaís, the largest sum budgeted in these adjudications. On the other hand, **JMB Construções**, with 191,000 meticaís, submitted the lowest invoice in the adjudications for defence and security that year, as shown in Graph 2.

In 2018 the Government spent about 156.4 million meticaís on adjudications for the defence and security sector. The company **Unibasma, Lda** with about 53.6 million meticaís from these contracts submitted the highest invoice in 2018. At the opposite extreme, the company **Electro Paraíso** with adjudications to the value of 39,700 meticaís submitted the lowest invoice in the defence and security tenders of that year, as shown in Graph 3.

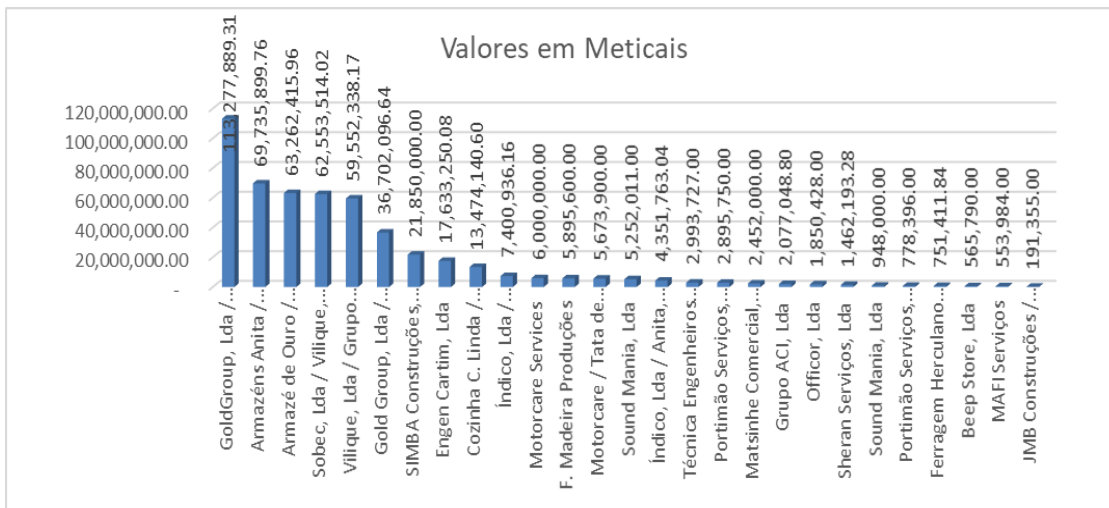
In 2019 the Government spent approximately 2.8 billion meticaís on contracts to acquire goods and services for the defence and security sector. That year, the company **Indústria Nacional de Uniformes Policiais, Limitada (INUPOL, Lda)**, with adjudications budgeted at 969.2 million meticaís submitted the largest invoices for contracts with the defence and security sector. At the other extreme, **Matsinhe Comercial, Lda** with adjudications valued at about 13,000 meticaís, billed the lowest sum from the sector’s contracts, as shown in Graph 4.

Graph 1. Adjudications of the Defence and Security sector - 2015



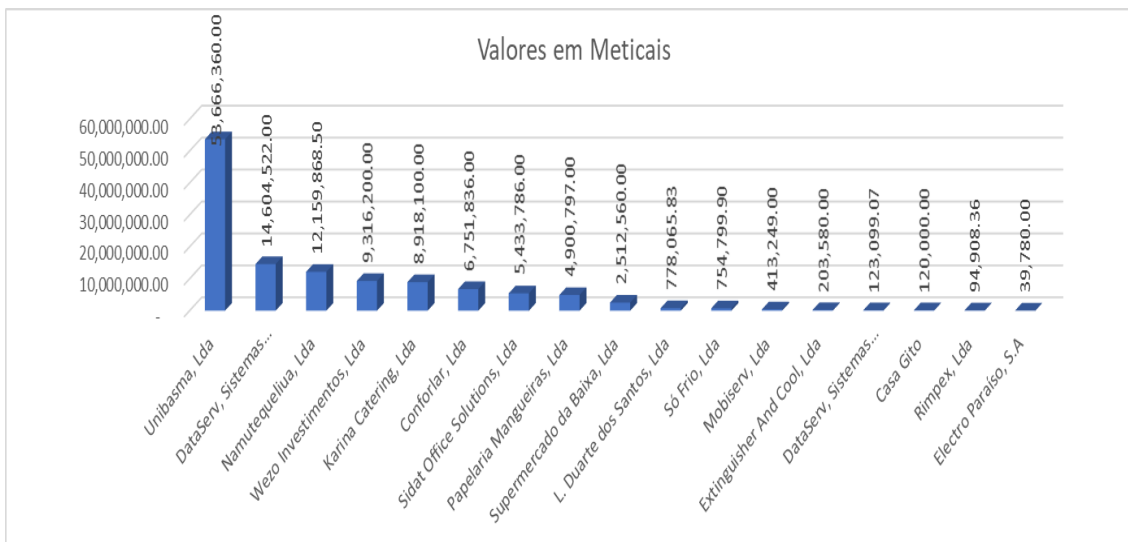
Amounts in meticaís

Graph 2. Adjudications of the Defence and Security sector - 2016



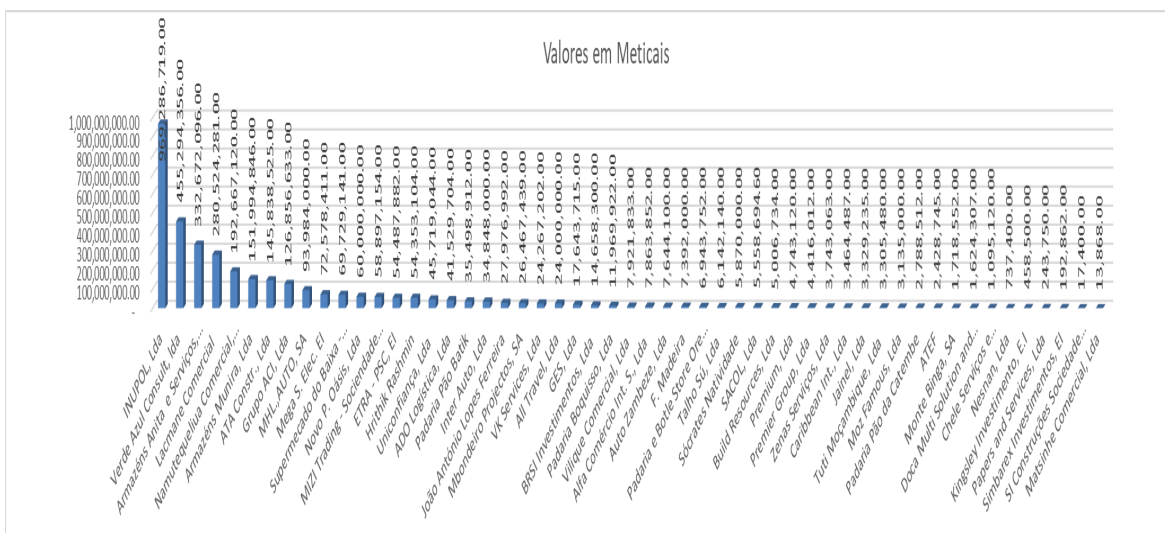
Amounts in meticais

Graph 3. Adjudications of the Defence and Security sector - 2018



Amounts in meticais

Graph 4. Adjudications of the Defence and Security sector - 2019



Amounts in meticais



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