

MOZAMBIQUE News reports & clippings

364 12 March 2017 Editor: Joseph Hanlon (j.hanlon@open.ac.uk)

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Government daily flood reports: bit.ly/flood-17

Key points from the Parliamentary Report on the Secret Debt <http://bit.ly/MozAR-debt-En>

Following the donor-designed path to the \$2.2 billion secret debt <http://bit.ly/3WQ-hanlon>

Chickens and beer: A recipe for agricultural growth in Mozambique

book by Teresa Smart and Joseph Hanlon <http://bit.ly/chickens-beer>

Gas for development or just for money? <http://bit.ly/MozGasEn>

Exxon buys half of ENI's part of Area 4 gas for \$2.8 bn; government could get \$300-500 mn

Exxon-Mobil has bought 25% of the Area 4 block offshore of Cabo Delgado for \$2.8 bn. This promises a windfall capital gain tax payment later this year. This gives the government an important cushion in on-going negotiations, and will help Mozambique to hold out for better terms with both the IMF and creditors.

It is a complex deal which could have an impact on the capital gains tax. Area 4 is owned 70% by ENI East Africa and 10% each by Empresa Nacional de Hidrocarbonetos (ENH, owned by the Mozambique government), Kogas (South Korea) and Galp Energia (Portugal). The China National Petroleum Corporation (CNPC) bought 28.6% of ENI East Africa (giving it 20% of area 4) in 2013, when gas prices were much higher, and paid \$4.21 bn - much more than Exxon is paying to buy a larger portion.

For \$2.8 bn, ExxonMobil has now bought 35.7% of ENI East Africa (giving it 25% of area 4) and ENI keeps 35.7% of ENI East Africa and 25% of area 4. ExxonMobil in a 9 March statement says "ENI will continue to lead the Coral floating LNG project and all upstream operations in Area 4, while ExxonMobil will lead the construction and operation of natural gas liquefaction facilities onshore."

The deal is conditional on Mozambican government approval, which will in turn depend on agreement about the amount of capital gains tax negotiated. The *Financial Times* (8 Nov 2016) quoted Mozambican sources to say they expected a \$1.4 bn windfall. That was never realistic.

Since 2014 capital gains tax has been 32%, but this is applied to the increase in value after actual investments on exploration etc. have been deducted. ENI East Africa is an Italian and not a Mozambican company, which also creates some confusion. Under the lower capital gains rules then in force, in 2013 ENI agreed to pay capital gains on the \$4.21 mn sale to CNPC and the settlement was \$400 mn in cash and the agreement to spend \$130 mn on a new 80 MW gas-fired power station. (Reuters 21 Aug 2013)

Zitamar (10 March) predicts that Mozambique will only get \$300 mn in capital gains tax, but that in effect requires ENI to claim that \$8 bn has already been spent on area 4, which seems very high. So Mozambique might hope for \$500 mn or more, which could just fill the \$470 mn hole this year caused by the cut off of donor budget support. Although the money will not actually arrive until near the end of the year, it will still give the government breathing space in its negotiations with both the

IMF and the donors.

It is highly unlikely that any debt service will be paid this year and government will want to negotiate both a reduction in the total debt and a deferral in payments until there is substantial gas production. Meanwhile, Credit Suisse is under growing pressure for "loan pushing" - encouraging the government to take loans which are larger and more risky than is appropriate, and for allegedly misleading both lenders (bondholders and those who took part in the syndicated loans) and the Mozambican government (by presenting unrealistic financial projections). Credit Suisse could come under pressure to compensate bondholders and syndicated loan creditors.

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If you need to cite it for academic purposes, treat it as a blog. The normal citation format would be:

"Mozambique News Reports & Clippings, number XXX", DATE, bit.ly/mozamb, accessed XXX.

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Election study collaboration: We have detailed election data from 1999 through 2014 and are inviting scholars to use this data collaboratively. <http://bit.ly/MozElecData>

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Books and reports by Joseph Hanlon

Special report on four poverty surveys: bit.ly/MozPoverty

Comment: something will turn up: <http://bit.ly/28SN7QP>

Oxfam blog on Bill Gates & chickens:

<http://oxfamblogs.org/fp2p/will-bill-gates-chickens-end-african-poverty/>

Bangladesh confronts climate change: Keeping our heads above water

by Manoj Roy, Joseph Hanlon and David Hulme

Published by Anthem Press

<http://www.anthempress.com/bangladesh-confronts-climate-change-pb>

Chickens and beer: A recipe for agricultural growth in Mozambique by Teresa Smart and Joseph Hanlon

In pdf format, 6 Mb file, free on <http://bit.ly/chickens-beer>

E-book for Kindle and iPad, <http://www.amazon.com/dp/B00NRZXXKE>

Galinhas e cerveja: uma receita para o crescimento

by Teresa Smart & Joseph Hanlon. Copies are in Maputo bookshops or from

KAPICUA, Rua Fernão Veloso 12, Maputo; Tel.: +258 21 413 201 or +258 21 415 451

Telm.: +258 823 219 950 E-mail: kapicua@tdm.co.mz / kapicuacom@tdm.co.mz

Outside Mozambique, we have a few copies we can send from London. Please e-mail j.hanlon@open.ac.uk.

Zimbabwe takes back its land

by Joseph Hanlon, Jeanette Manjengwa & Teresa Smart is now available from the publishers

https://www.rienner.com/title/Zimbabwe_Takes_Back_Its_Land also as an e-book and

<http://www.jacana.co.za/book-categories/current-affairs-a-history/zimbabwe-takes-back-it-s-land-detail>

Do bicycles equal development in Mozambique? by Joseph Hanlon & Teresa Smart

is available from the publisher <http://www.boydellandbrewer.com/store/viewItem.asp?idProduct=13503>

Just Give Money to the Poor: The Development Revolution from the Global South

by Joseph Hanlon, Armando Barrientos, and David Hulme

Most of this book can now be **read on the web** tinyurl.com/justgivemoney

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NOTE OF EXPLANATION:

One mailing list is used to distribute two publications, both edited by Joseph Hanlon. This is my own sporadic "News reports & clippings", which is entirely my own responsibility. This list is also used to distribute the *Mozambique Political Process Bulletin*, published by CIP and AWEPA, but those organisations are not linked

to "News reports & clippings"

Joseph Hanlon

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Mozambique media websites, Portuguese:

Notícias: www.jornalnoticias.co.mz

O País: www.opais.co.mz

@Verdade: <http://www.verdade.co.mz>

Diario de Moçambique (Beira): <http://www.diariodemocambique.co.mz>

Carlos Serra Diário de um sociologo: <http://oficinasociologia.blogspot.com>

Mozambique media websites, English:

Club of Mozambique: <http://clubofmozambique.com/>

Rhula weekly newsletter: <http://www.rhula.net/news-announcements.html>

Zitamar: <http://zitamar.com/>

Macauhub English: <http://www.macauhub.com.mo/en/>

AIM Reports: www.poptel.org.uk/mozambique-news

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