

MOZAMBIQUE News reports & clippings

406 20 March 2018 Editor: Joseph Hanlon (j.hanlon@open.ac.uk)

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Mozambique debt proposal:

No payments til 2029

Ignore illegitimacy

All creditors equal

Mozambique presented its proposals for rescheduling the \$2 bn secret debt at a creditors meeting this afternoon in London. The government stressed that there would be no money to pay for at least a decade. The presentation is on <http://bit.ly/2DHjeIG>

Economy and Finance Minister Adriano Maleiane rejected Ematum bondholder demands that they be treated separately, and said that any final agreement would have to be agreed by all commercial creditors. They were prepared to have separate discussions with Ematum bondholders and MAM and ProIndicus syndicated loan holders, but all would have to agree the final package.

The question of a separate agreement with the Russian state bank VTB was raised, and Maleiane stressed there was no separate "formal agreement" with VTB. "I believe VTB have ideas, as do other creditors, which we will discuss with them." He again contradicted Foreign Minister Jose Pacheco, saying "he got the impression that there was some agreement with VTB but it was only the fact that there would be this creditors meeting here in London."

Jubilee Debt Campaign raised the issue about claims that the loans could be declared illegitimate. Michelle Lemarche of Mozambique's debt advisors Lazard responded that negotiations are being opened on the basis that all obligations would be recognised. Although there are legal challenges in Mozambique at the Administrative Tribunal and the Constitutional Council, any settlement agreed with creditors would involve new and different loans not affected by the court cases. The Ministry of Economy and Finance wants to move forward without waiting for the court cases. But the implication hung in the air that if creditors did not agree, then Mozambican legal processes could affect the payment of the existing debt.

Maleiane said that only commercial debt was the problem - currently 13% of external debt but 41% of debt service due each year. Multilateral and bilateral debt was concessional and the current interest rate was only 1% per year. Thus the need was only to renegotiate commercial debt and there would be no bilateral or commercial renegotiation. He said he hoped to be able to end government domestic borrowing by 2022, and until then wanted the commercial creditors "to support our fiscal consolidation and help us to grow and then meet our obligations." The goal was to have commercial repayments as close to 1% as possible for the next five years.

Lazard stressed that the first government gas revenues (about \$300 mn/year from ENI offshore area 4) would only start in 2028 and the much larger \$1.7 bn per year from the Anadarko Area 1 would only start in 2032.

The government proposal is:

- + "Very low" interest rates through 2023 - 1.5% to 2%.
- + "Moderate interest rates from 2024.
- + No principle repayments until 2029.

+ Current arrears of interest and principal are \$636 mn. Half of this would be cancelled (known as a "haircut") and half capitalised.

Two options were put on the table. One has principal repaid after 14, 15 and 16 years and interest starting at 2% and rising to 6%. The other involves principal payments in years 10, 11 and 12 but another 10% haircut and lower interest rates. There was an offer to discuss local currency bonds.

Maleiane stressed the importance of advancing rapidly on a solution to the commercial debt issue because he hoped that would make it easier to obtain loans for the large gas investments required. He stressed that negotiations would go ahead without an IMF programme, but added that "government must show the IMF that I have started to overcome this debt problem with this discussion here."

Government economic projections given at the meeting showed that GDP growth would fall to 2.8% this year and only rise to 4.4% by 2022. The government would have to continue borrowing to fund its deficit (caused in part by the end of donor budget support due to revelation of the secret debt) until 2022. This means debt is unsustainable no matter what government does, and private debt service must be kept low for a decade.

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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.

Previous newsletters and other Mozambique material are posted on bit.ly/mozamb

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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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Other 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 (Karibu at airport, Livaria UEM, Bazar Pariso, Mivany) or from

KAPICUA, which recently moved to Av de Maguiguana (nr Lenine), Maputo; Tel: +258 21 413 201.

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

Recent reports

Special report on social protection <http://bit.ly/MozSocPro>

Mozambique corruption articles 2016-7 <http://bit.ly/2upF8XI>

Secret debt documents and report:

Kroll full report (80 Mb!) <http://bit.ly/Kroll-Moz-full>

Kroll audit Executive Summary <http://bit.ly/Kroll-sum>

Parliamentary Report on the Secret Debt (complete, in Portuguese) <http://bit.ly/MozAR-debt>

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

Mozambique should not pay the hidden debt <http://bit.ly/Moz-do-not-pay>

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

Other books and reports:

Government's detailed flood reports: <http://bit.ly/flood-17>

Local media monitoring of Mozambique elections (background of election newsletters)
<http://bit.ly/LSE-newsletter>

Chickens and beer: A recipe for agricultural growth in Mozambique book by Teresa Smart and Joseph Hanlon, **free** English download <http://bit.ly/chickens-beer>

Há mais bicicletas - mas há desenvolvimento? book by Joseph Hanlon and Teresa Smart, **free** Portuguese download <http://bit.ly/Mais-bicicletas>

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

Minimum wages & exchange rates 1996-2017 <http://bit.ly/MinWage2017>

Previous newsletters and other Mozambique material are posted on <http://bit.ly/mozamb>

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.riener.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>

Há mais bicicletas - mas há desenvolvimento? **free download** of Portuguese edition (5 Mb)

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 be **read on the web** tinyurl.com/justgivemoney

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

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 sociólogo: <http://oficinadesociologia.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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