



CENTRO DE INTEGRIDADE PÚBLICA
Anticorrupção - Transparência - Integridade

COMMUNIQUÉ

THE GOVERNMENT IS MORTGAGING THE WELFARE OF MOZAMBICANS!

The Ministry of Economy and Finance (MEF) informed Mozambicans and the general public, in its communiqué¹ dated November 6, 2018, of the ways in which repayments of EMATUM debt bonds (interest and capital) are to be made.

CIP has been monitoring the process of public debt restructuring since March of this year, when the Minister of Finance presented a restructuring proposal with assumptions that involved the mortgaging of gas revenues at the expense of the use of these revenues for improving the welfare of Mozambicans.

In the current proposal, the Government underscores its desire to seek options within the Government Budget involving financing from natural gas tax revenues to pay the interest and capital of this debt, in order to once again gain access to international capital markets.

In other words, the Government prefers to continue to sacrifice the interests of the country, without Mozambicans seeing any benefits of the debts or the resources that will be mortgaged.

Box 1: Projections of Gas Revenues

In a document dated June 2018¹, the MEF presents projections of tax revenues from the exploitation of natural gas in the Rovuma Basin areas 1 and 4.

Under the assumptions of the base scenario, the Government indicates that in the first years (2022 to 2031) fiscal revenue (annual average) from natural gas exploitation will be very low. In the case of area 1, it will not even reach USD 500 million. The situation is even more precarious in the case of area 4, where revenues will be no more than USD 200 million (see figure below). This scenario means that in the first years one cannot expect high revenues from this sector. In contrast, during this period the Government proposes to pay, in addition to the interest (starting in 2019), annual amortizations of capital as of 2029.

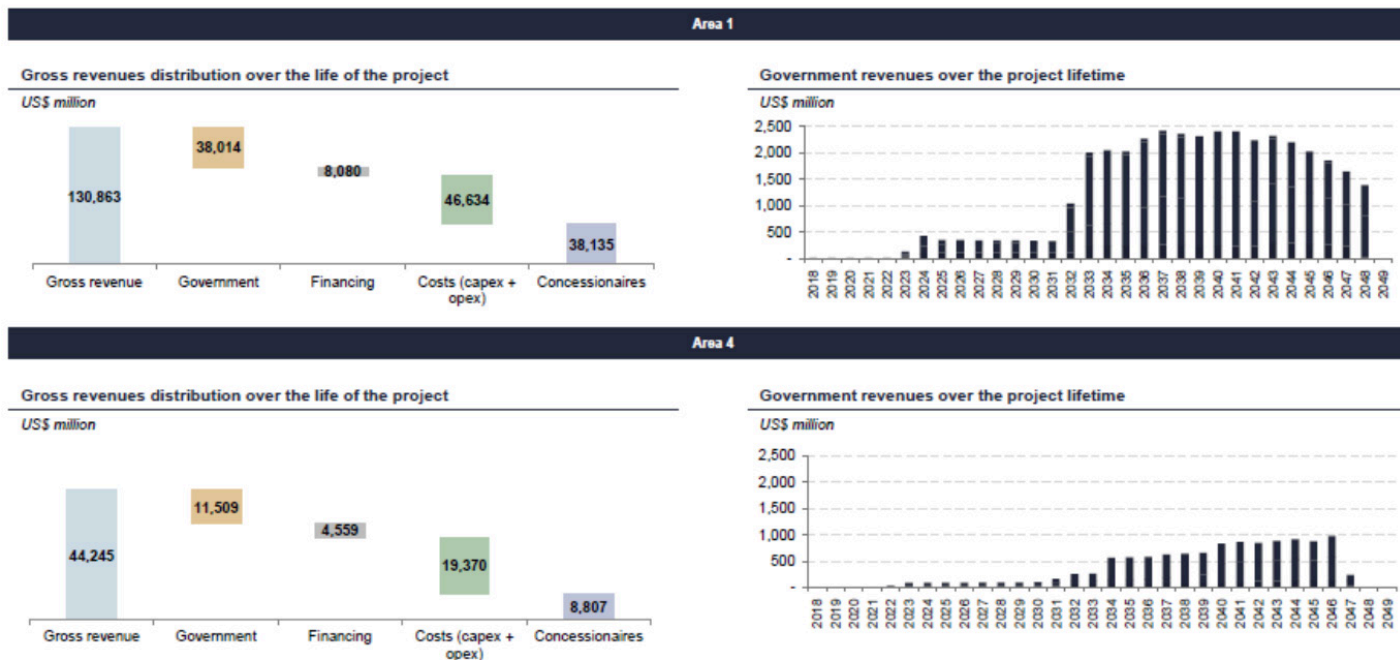
¹ <?> <http://www.mef.gov.mz/index.php/documentos/sala-de-imprensa/comunicados-de-imprensa/1580-comunicado-6-nov-portugues/file>

However, from 2032 onwards revenues will start to become significant, inter alia, due to the increase of 2 percentage points in the production tax, which is foreseen every 10 years after the start of the operation.

In 2033, for example, government revenue from area 1 will reach USD 2 billion. However, it is not expected that sufficient resources will be available within the period used for the restructuring proposal. It may therefore well be that, due to a lack of liquidity, the Government will have difficulties making all payments (interest, capital and value recovery instrument) prior to 2033.

Government revenues – *Baseline scenario*

Under the baseline scenario, total government revenues would amount to US\$49.4 bn during the project lifetime. Revenues would significantly increase starting from 2032



The Government also assumes in an alternative scenario that gas revenues only become significant with a delay of one and a half years in relation to the base scenario. On that basis, government revenues could be reduced by 6% from those expected in the base scenario. This aspect is a real risk, with consequences that may lead the country to become more and more indebted -- yet it is neglected in the presentation of the main contractual terms of the debt restructuring.

Furthermore, in addition to the Government's proposed concoction of the payment of the illegal debts through revenues from gas exploitation, recently the Governor of the Bank of Mozambique admitted having given in to the pressures of the multinationals in the context of signing contracts with respect to the 5th tender for exploration of hydrocarbons, making the resources that the country could capture from the exploitation of oil and gas increasingly tenuous².

Therefore, based on the points presented above, it is clear that the Government's intentions regarding the benefits of the exploitation of petroleum resources have nothing to do with promoting the welfare of Mozambicans.

At the same time, the communiqué of November 6, 2018 emphasizes that all documentation of the restructuring process will be submitted for approval to the Assembly of the Republic.

Mozambicans demand that Parliament reject this restructuring proposal, since it compromises the welfare of a whole generation, and seek other alternatives to restore the trust of the international community in the country.

A debt restructuring must protect the interests of Mozambicans, promote economic growth and allow public spending to favor the acquisition of essential goods and services for priority sectors.

These alarming conditions proposed by the Executive demonstrate a predatory behavior

aligned with creditors that in no way favors the development of the country.

Mozambicans demand the full sharing with the public of the debt restructuring agreement between the parties with the detailed terms of the restructuring of all debts.

CIP strongly opposes the use of future gas resources to pay off illegal debts because such use would represent double loss for the country under the following considerations: (i) it puts an entire generation under an unsustainable debt burden of USD 2.2 billion; and (ii) it “mortgages” gas resources to pay off debts whose benefits will never be enjoyed by Mozambicans.



Footnotes

1 http://www.inp.gov.mz/pt/content/download/1372/9256/version/1/file/Republic+of+Mozambique_Government+Revenues+from+Gas+Projects.pdf

2 <http://www.verdade.co.mz/tema-de-fundo/35-themadefundo/67213-banco-de-mocambique-admite-que-flexibilizou-lei-cambial-para-privilegiar-multinacionais-do-petroleo-e-gas>



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