

To Christine Lagarde, Managing Director of the International Monetary Fund and all Executive Directors of the International Monetary Fund

Statement on what measures need to be implemented before the IMF begins lending to the Mozambique government again, March 2017

We have a deep concern about the current economic, social and political situation that Mozambique is confronted with. The fall in commodity export prices, the devaluation of the local currency against the dollar and revelations about previously hidden debts have led to a significant slowdown in economic growth. The meticaís has fallen by over 60% against the dollar since the start of 2014, increasing inflation and reducing government revenues in hard currency, resulting in an increase of the external debt to an estimated 93% of GDP. The dollar value of GDP has fallen from \$16.9 billion in 2014 to \$12 billion (estimated by the IMF) in 2016, a decline of 29%. People can already witness the painful impact in terms of the sharp increase in the cost of living and are deeply concerned about future negative impacts.

In April 2016 it was revealed that in 2013 \$1.1 billion of loans had been given by Credit Suisse and VTB to two companies, Proindicus and Mozambique Asset Management (MAM), with government guarantees. This was in addition to \$800 million of previous loan given to Ematum also arranged by Credit Suisse and VTB with a government guarantee. However, none of these loans were endorsed by the Mozambique parliament. In response to these revelations, the IMF took the right decision to suspend its loans to the government of Mozambique.

The only sustainable way out of Mozambique's economic crisis is through far greater transparency in borrowing and lending, and ensuring that any adjustment falls on those who are able to pay, and that Mozambique does not get trapped by an unpayable debt burden. We therefore call for a range of measures to all be implemented before the IMF resumes lending to the Mozambique government. These measures comprise of the following:

- 1) Completion in a transparent manner of an external forensic audit of all of the Mozambique government's debts, including all debts with government guarantees, with specific investigations on how the loans to Ematum, Proindicus and MAM have been used.** Where the money has gone has to be publicly disclosed for the current crisis to be resolved and before more money can be lent to the Mozambique government.
- 2) A business and soundness assessment of Ematum, Proindicus and MAM.** The capacity of the three companies to generate revenue has to be publicly disclosed.
- 3) An analysis of the current situation of those in poverty and potential measures to protect those in or near poverty from negative impacts.** All actions must be based on ensuring that poverty does not increase, and new actions must show a high potential for reducing poverty.
- 4) A law and corresponding implementation mechanisms to hold political leaders accountable and responsible for their actions, including clear outstanding penalties in the case of bad conduct and bad governance.** There must be a clear framework for how political leaders will be held accountable if such a situation arises again.
- 5) A commitment by both the government and IMF to not cut government spending on vital services and investment, including education, healthcare, water and agriculture.** To ensure poverty does not increase, vital services must be ensured and enhanced.

6) A strong and convincing strategy for cutting overspending and anticorruption measures, with due attention to public procurement mechanisms and transparency in public tenders, particularly with regard to infrastructures and public works. There is large scope for saving government revenues through cutting wasteful expenditure and ensuring all public tenders achieve the best value for money.

7) A renegotiation of contracts with megaprojects to ensure that they are all paying a fair share of tax. Various studies have shown how megaprojects are tax at too low a level given their revenues. They should be making a greater contribution to public finances.

8) A commitment by both the government and IMF for no increases in taxes which negatively impact on those on middle or low incomes. To ensure poverty does not increase, those on low and middle incomes must not be made to pay more tax.

9) Cancellation or significant reduction in debt owed by the government as a result of the loans to Ematum, Proindicus and MAM. Loans from the IMF should not be used to repay the debts to irresponsible lenders, risking trapping Mozambique in a debt trap. Lenders need to share in the costs of adjustment brought about by their irresponsible actions and the changed economic circumstance of low commodity prices.

Signed-by:

1. Groups in Mozambique

Budget Monitoring Forum, comprising:

Civil society learning and capacity building Center (CESC)

NWETI – Communication for Health

Mozambican Debt Group (GMD)

Helvetas Swiss Intercooperation Mozambique

Center for Public Integrity (CIP)

Foundation for Community Development (FDC)

ActionAid Mozambique

Education for All Movement (MEPT)

Community Radios Forum (FORCOM)

Woman, Law and Development (MULEIDE)

Civil Society Forum for Children's Rights (ROSC)

WaterAid Mozambique

Mozambican Civil Society Platform for Social Protection (PSCM-PS)

Mozambican NGOs' League (JOINT)

Rural environment Observatory (OMR)

Women Forum;

Mozambican Debt Group members:

WLSA - Women and Law in Southern Africa

Associação Progresso

Kulima

TEIA

Association Against Poverty,

Women Forum

Third Age Forum (FTI)

Child Network
Active Network
Mahoche Rural Women's Association
Organization of Workers of Mozambique (OTM - Central Sindical)
SINTIME
SINTIHOTS
SINECOSSE

Transparency and Fiscal Justice Coalition's members:

The Oppressed Theatre Group
Open Society (SA)
The Christian Council of Mozambique (Branches of Maputo, Gaza, Inhambane and Cabo Delgado)
Association for Women Empowerment and Development;
The Basic Education Development Unit – Laboratory (UDEBA-LAB).

Also:

Justiça Ambiental

2. International groups

International and regional networks

ActionAid International
African Forum and Network on Debt and Development (AFRODAD)
Asian Peoples Movement on Debt and Development (APMDD)
BankTrack
European Network on Debt and Development (EURODAD)
Oxfam International

National organisations

ATTAC Japan (JAPAN)
Both ENDS (NETHERLANDS)
Bretton Woods Project (UK)
Budget Advocacy Network (SIERRA LEONE)
Centre national de coopération au développement (CNCD-11.11.11) BELGIUM
Coalition citoyenne "Dette et Développement" et la défense des intérêts fondamentaux de la Guinée (CADIF) (GUINEA)
Debt and Development Coalition Ireland (IRELAND)
Debt Justice Norway (NORWAY)
erlassjahr.de (GERMANY)
Freedom from Debt Coalition (FDC) (PHILIPPINES)
The Integrated Social Development Centre (ISODEC) (GHANA)
Jesuit Centre for Theological Reflection (JCTR) (ZAMBIA)
Jubilee Debt Campaign (UK)
Jubilee Scotland (UK)
Kenya Debt Relief Network (KENDREN) (KENYA)
Malawi Economic Justice Network (MALAWI)
National Justice & Peace Network (UK)
No Debt No Euro (Thessaloniki) (GREECE)

Plateforme Française Dette et Développement (FRANCE)

La Plateforme d'Information et 'Action sur la Dette et le Développement (FRANCE)

La Plateforme d'Information et d'Action sur la Dette (PFIAD) (CAMEROON)

Le Réseau Gouvernance Economique et Démocratie (REGED) (DEMORATIC REPUBLIC OF CONGO)

Solidar Suisse (SWITZERLAND)

Tanzania Coalition on Debt and Development (TANZANIA)

Zukunftskonvent (GERMANY)