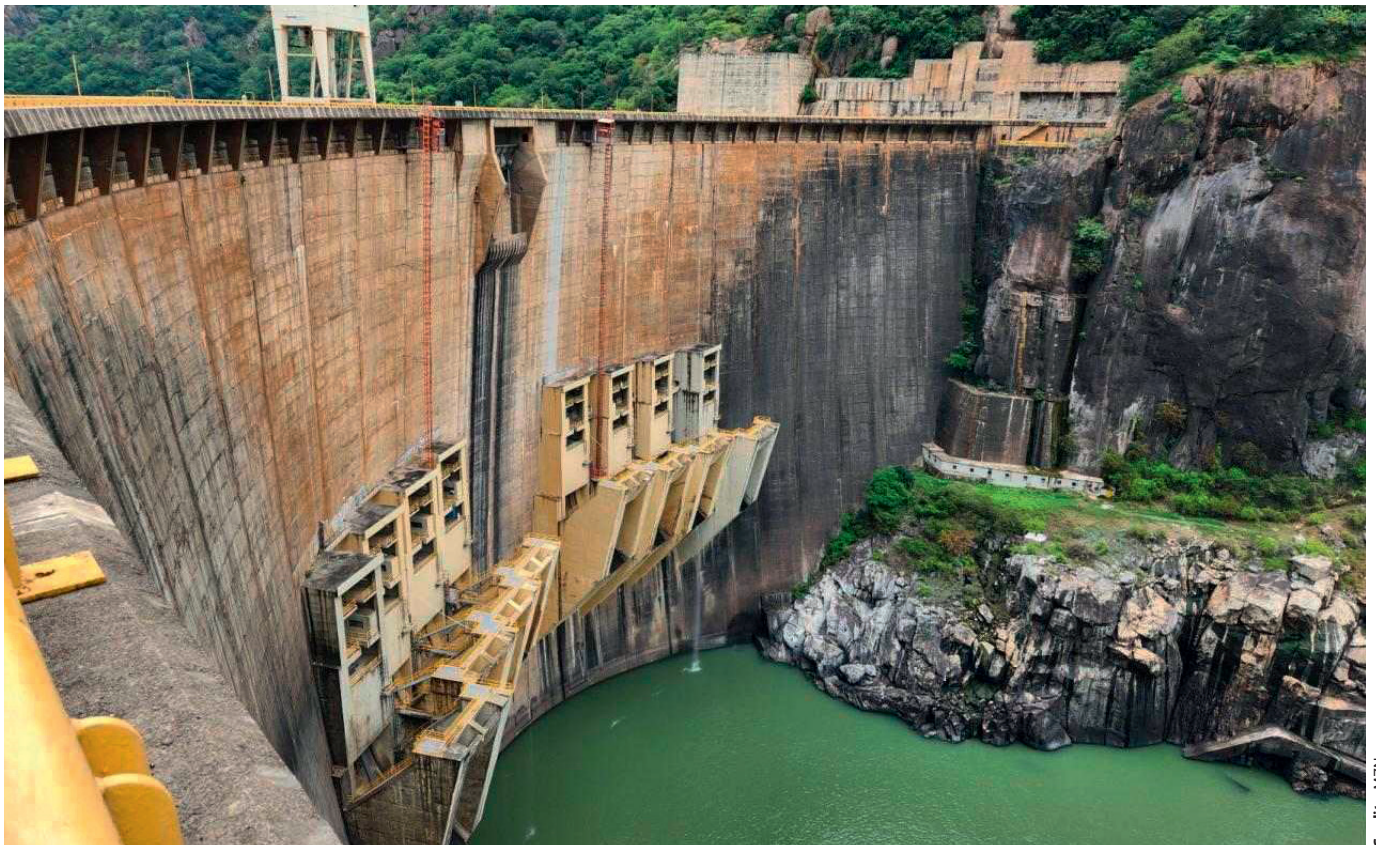
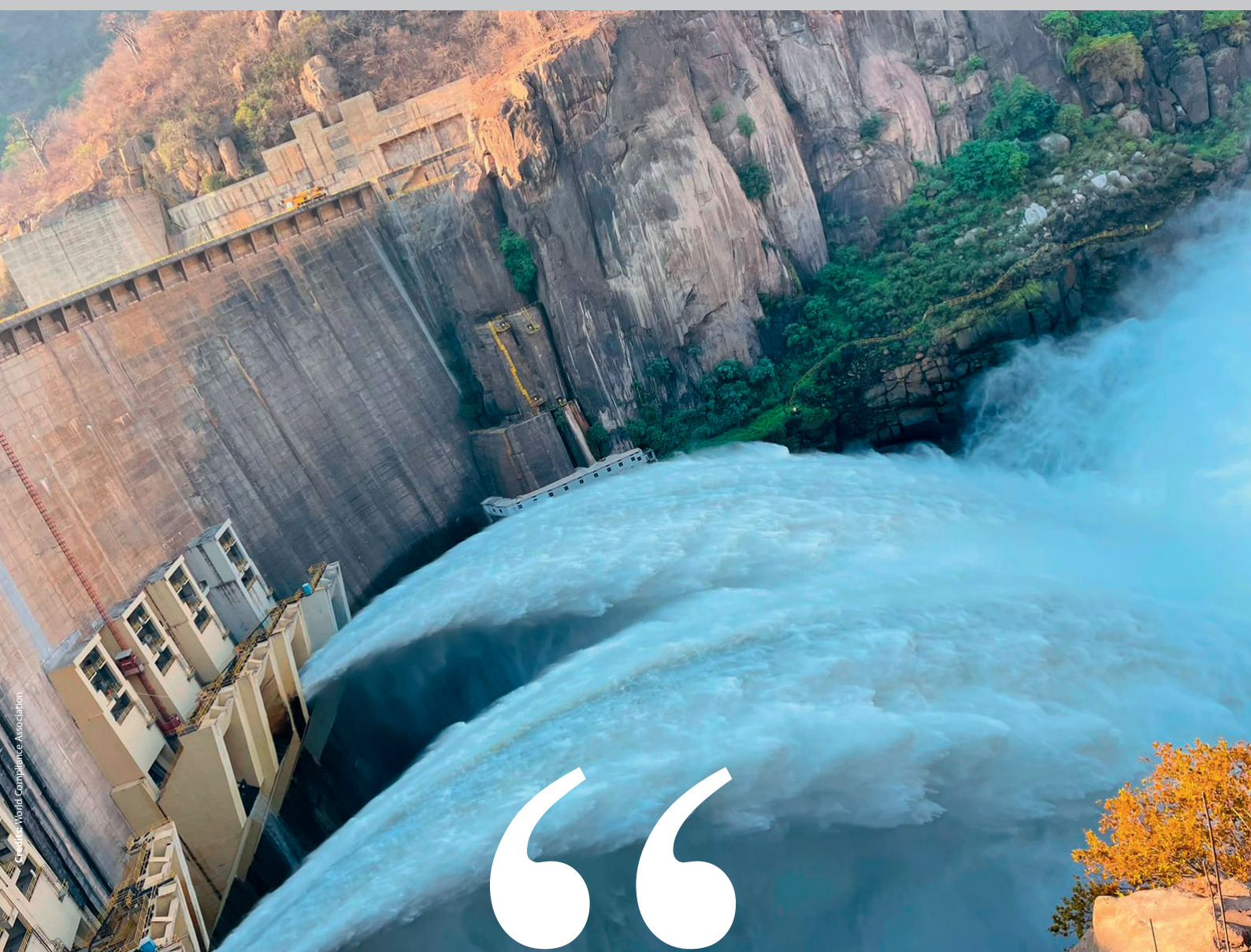


Under new Leadership: HCB continues with Millionaire Debt, causing great concern for Mozambicans

- The controversial debt plans of Hidroeléctrica de Cahora Bassa (HCB) remain at the top of Mozambicans' list of concerns. Incidentally, the need to monitor multimillion-dollar debts more closely became even more critical with the ratification, at the beginning of last month, of the loan agreements during the company's last ordinary general meeting, the same one that made Tomás Matola the "heir" of the said debts.





This involves 225 million euros of credit provided by the African Development Bank (ADB) and the French Development Agency (AFD), together with a donation of 22 million euros from the European Union (EU). In total, around 247 million euros, close to 49% of the 507 million euros that the company allegedly intends to invest in structuring projects to modernize its electricity production system¹.

¹ https://www.afdb.org/sites/default/files/songo_substation_and_power_plant_esia_volume_i_executive_summary.pdf



As highlighted in previous publications² made in early January, at first, the debts in question were characterized by a certain “secrecy”, with the company betting on a little to no open communication pattern on the subject. Months after the financing agreements were signed, there was no information on the company’s official website about the loan packages in question, their rationale, nor how they would affect the financial situation of the company and the income of the State and the Mozambicans as shareholders.

The “secrecy” maintained around the €225 million credit and the *timing* (political) of the company’s debt plans immediately raised concerns about the possible impacts of the debt “rush” on the company’s financial health and the imminent risk of misappropriation. A legitimate concern considering that, as confirmed by the then CEO of the company, Boavida Muhambe, reacting to the publication of CDD³, the mobilized credits appear as “security or *backup*”: there is no sense of urgency in the application of the mobilized financing.

Although it has not yet commented on the matter, the company’s new board of directors, led by banker and former Chairman of the Executive Committee of Banco Nacional de Investimentos (BNI), Tomás Matola, takes over at a time when HCB is preparing to open a new chapter in its history, marked by an unprecedented change in its capital structure. Starting from a situation of consolidation of its financial strength and less dependence on external resources, the company should experience a marked deterioration in its financial autonomy and an exponential increase in its level of indebtedness which, until the financial year of

2022, was around 4% of the company’s total capital.

Alongside the efficiency gains resulting from the modernization program of the electricity production system of what is positioned as the second largest hydroelectric complex in Africa and one of the largest in the world, important “sacrifices” are also expected given the accumulation of levels of high levels of indebtedness. In addition to committing the company to a series of payments for many years, the new multimillion-dollar debts should also imply a considerable increase in its financial risk and an increase in the State’s exposure to fiscal risks via the State Business Sector (SEE)⁴.

Likewise, a period of potentially low returns is foreseen, especially during the first years of implementation of the modernization projects. Low returns not only for the State, which is the largest shareholder but also for the public which acquired 4% of the company’s shares through the Public Sale Offer (OPV) of July 2019. It will still take some time for the still derisory value of about 0.156 meticais per share that Mozambicans receive for their stake in the company to be on the rise.

As can be seen, HCB’s multimillion-dollar debts have repercussions that go beyond the company itself. It is in this context that Mozambicans, especially those with shares in the company, have the important mission of, through greater scrutiny, the demand for greater transparency and accountability, ensuring that credits are effectively used following “good practices of management”⁵. Only in this way will it be possible to avoid this being just another unproductive indebtedness at the level of the SEE.

² <https://cddmoz.org/wp-content/uploads/2020/07/Face-ao-silencio-da-HCB-o-IGPE-deve-fornecer-explicacoes-sobre-os-endividamentos-multimilionarios.pdf>

³ <https://cartamz.com/index.php/economia-e-negocios/item/12869-hcb-garante-boas-praticas-caso-use-225me-de-credito>

⁴ <https://cddmoz.org/wp-content/uploads/2020/07/Face-ao-silencio-da-HCB-o-IGPE-deve-fornecer-explicacoes-sobre-os-endividamentos-multimilionarios.pdf>


⁵ <https://cartamz.com/index.php/economia-e-negocios/item/12869-hcb-garante-boas-praticas-caso-use-225me-de-credito>



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