

Lisbon's Mozambique debt deal aimed at aiding business

PORTUGAL HAS ANNOUNCED IT IS TO AUCTION OFF BY THE END OF THE YEAR ABOUT \$150M OF MOZAMBIQUE'S ESTIMATED \$500M DEBT TO LISBON, AS INVESTMENT CAPITAL FOR PORTUGUESE BUSINESSES.

According to Jose Braz, Portugal's secretary of state for the treasury, the first auction of about \$13.5 million will take place within a month.

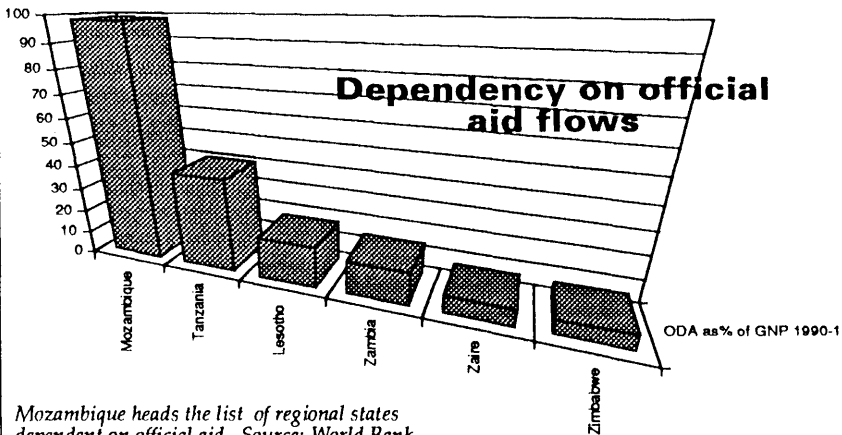
Braz, who announced the decision in Maputo, was on a visit to Mozambique to attend the opening of the first official branch in the country of the Banco de Fomento e Exterior (BFE).

He commented that his government

The importance which the Portuguese government attributes to the new BFE branch can be gauged by the presence of a high-level delegation from Lisbon, including not only Braz, but also Mira Amaral, the Portuguese industry minister, the bank's president, Miguel Cadilhe, and its director of African operations, Lopes Palma.

The bank, which has had a local office up and running in Maputo since 1991, operates principally as a development bank, doing project evaluation for industrial investment, as well as managing lines of credit and providing institutional support for Portuguese investors.

The new branch is seen as part of a



Mozambique heads the list of regional states dependent on official aid. Source: World Bank

felt that "simply to pardon the debt would be an act of despair. So we preferred to take a more productive attitude".

To local analysts it seems that as it slots into place in its former colonies updated models of old colonial financial institutions, Portugal is simultaneously taking steps to guarantee the viability of its investment by providing finance on the cheap.

The BFE closed down its branches in Mozambique in 1979, in a period when the Frelimo government imposed severe restrictions on foreign banking operations, and nationalised virtually the whole sector in imitation of Tanzania's similar measures in the late 1960s.

BFE's return follows Mozambique's liberalisation of banking laws as part of the post-1989 adoption of free market economic policies.

project to return to other Portuguese-speaking African countries, such as Cape Verde, Guinea-Bissau and Angola.

According to bank officials, projects will be financed according to their potential to generate foreign currency profits, "since Mozambique has difficulty in keeping projects going when they depend exclusively on local production."

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