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## Updated: Debt-distressed Zimbabwe moves to reschedule domestic debt

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*\* Econet says its wholly-owned Steward Bank holds \$30m in government treasury bills*

By Bernard Mpofu, HARARE, February 26 (The Source) – Zimbabwe's hard-up government, which has resorted to domestic borrowings to support its budget, is struggling to repay and is scrambling to reschedule some of the debt as it falls due. The Source has established.

Zimbabwe's domestic debt stood at \$1,171 billion as of November 27, 2014 when Finance Minister Patrick Chinamasa announced his 2015 budget, with \$264 million of that being in Treasury Bills issued mostly to banks and cash-rich companies for budget cash flow support.

About 75 percent of Zimbabwe's \$4 billion budget is gobbled up by the public service wage bill, leaving government constrained from funding capital projects such as infrastructure development.

The country's largest banking group, CBZ this week reported that it held \$147 million worth of TBs at the end of December 2014.

Last year, the government borrowed \$30 million from telecoms giant Econet Wireless, disbursed through its banking subsidiary Steward, in a deal brokered by former Econet chairman, Tawanda Nyambirai.

Government and Econet are currently locked in talks over repayment of the debt, which was supposed to be in tranches over a 24 year period starting this month, sources said. One of the options under consideration is for the debt to be offset by Econet's statutory obligations. In 2013, Econet paid \$137,5 million for its 20-year operating licence, funds which market analysts believe helped the government run the last general election.

Interestingly, Nyambirai pocketed a substantial facilitation fee for brokering the debt deal, for which the Reserve Bank of Zimbabwe acted as the guarantor, with governor John Mangudya signing off on behalf of the government.

"I have negotiated for Government to pay me an arrangement fee on the \$30 million facility. They have agreed to pay a fee of 0.75 percent on the \$30,000,000. Because I am not a party to the agreement, they shall show it as an arrangement fee payable to the bank. I request your consent for the Bank to pay this over to me," wrote Nyambirai in July last year in a letter addressed to senior Econet executives.

"The Government had proposed to make it an annual fee to be loaded onto the interest rate. I said I am open to an arrangement that is more appropriate. But after realizing that the fee will be more, they now seem to have settled on a once-off fee. I will be certain after the next set of draft agreements. You may verify this negotiation and agreement with Dr Mangudya."

On Thursday evening, Econet denied lending money to government.

"We entered into an arrangement whereby Government took over and settled interconnection debt owed to us by NetOne and TelOne," Econet said in an emailed response to questions.

"On the other hand, Steward Bank acquired Government Treasury Bills with a face value of \$30 million as part of its capital preservation strategy. It is correct that Mr Tawanda Nyambirai was involved in the arrangement and negotiation of the debt settlement and the structuring of the treasury bills as a consultant."

In the past, the government has also turned to cash-rich Delta Corporation to help finance its operations.

Delta finance director Matts Valela told The Source that the firm did not currently hold any government debt securities.

"The last one that we had was about \$5 million which matured 18 months ago, right now we don't have any government paper," Valela said.

Tags: Delta Corporation Econet Wireless featured John Mangudya rzb tawanda nyambirai Zimbabwe Government

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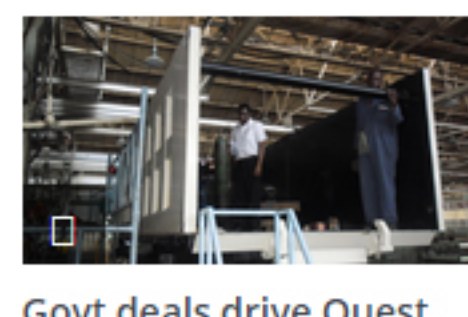
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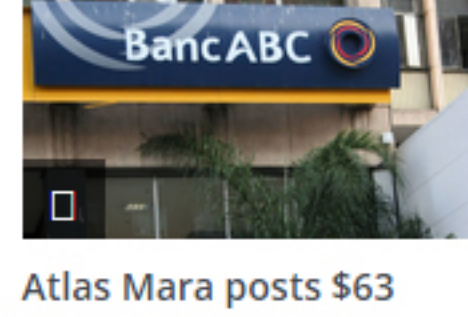


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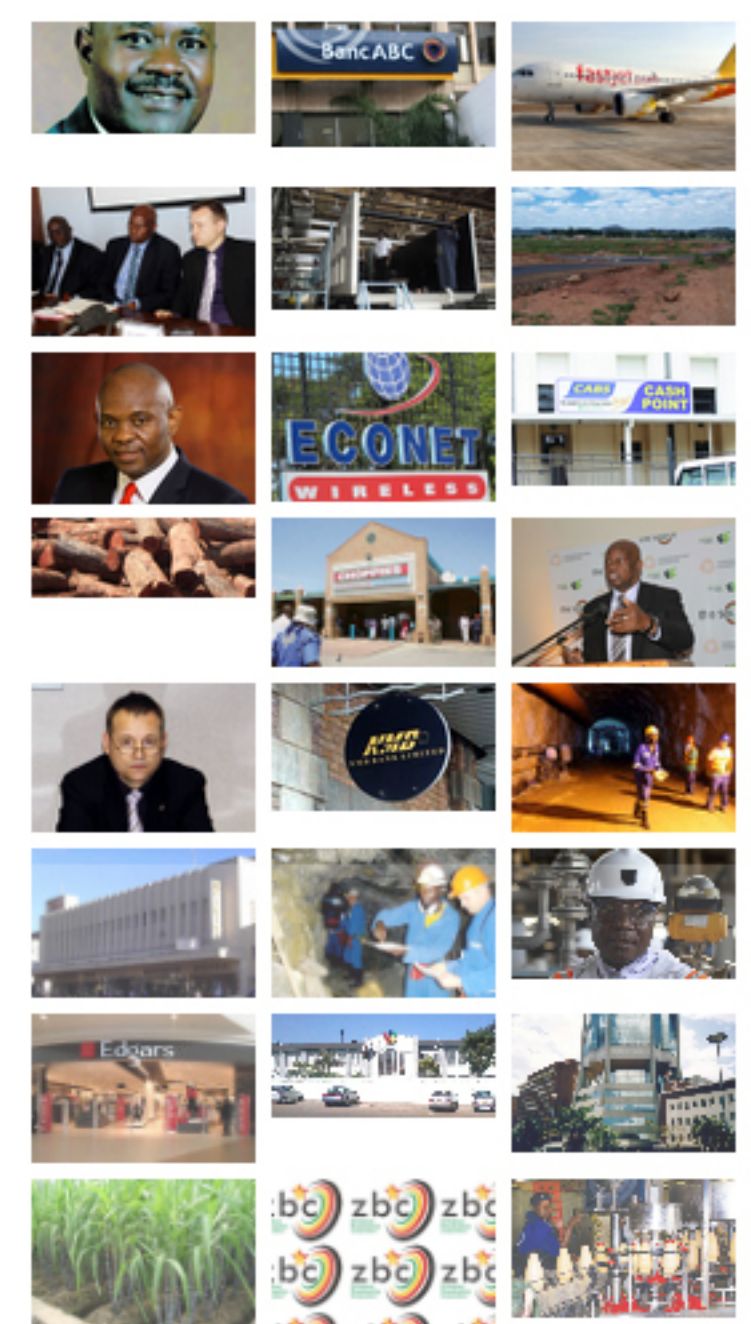
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