



AFRICAN FORUM AND NETWORK
ON DEBT AND DEVELOPMENT

A stylized map of Mozambique is shown on the left side of the cover. The map is composed of several colored regions: teal, red, yellow, and black. A black rifle is superimposed over the map, crossing from the top-left to the bottom-right.

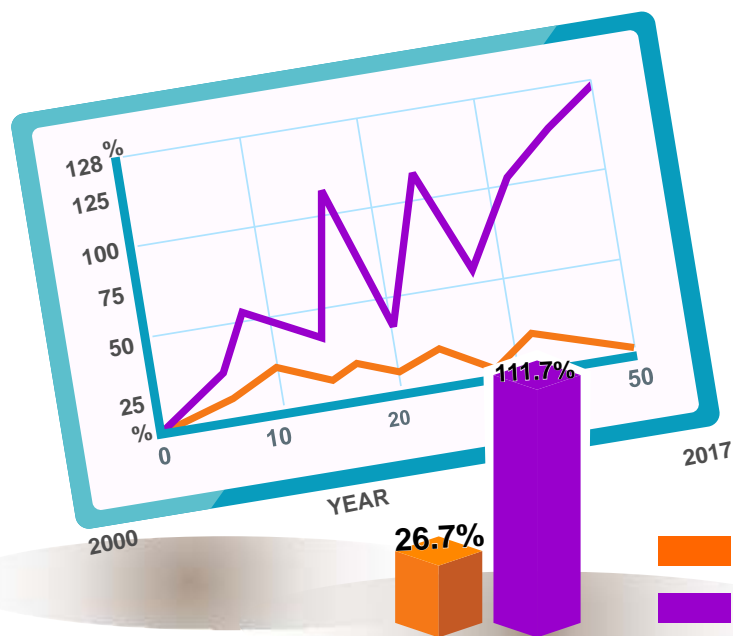
DEBT PROFILE MOZAMBIQUE



2018

MOZAMBIQUE : *Debt Situation*

Mozambique in debt distress



The stock of public sector debt-to-GDP reached **111.6%** at end-2017, including domestic debt (**26.7%** of GDP).

Mozambique is currently in default:

as the sovereign started to accumulate external arrears in 2016.

MARCH
2016

- The March 2016 debt service payments on the Ematum and Proindicus loans were met, but required a \$200 million loan from the Bank of Mozambique directly to the government.



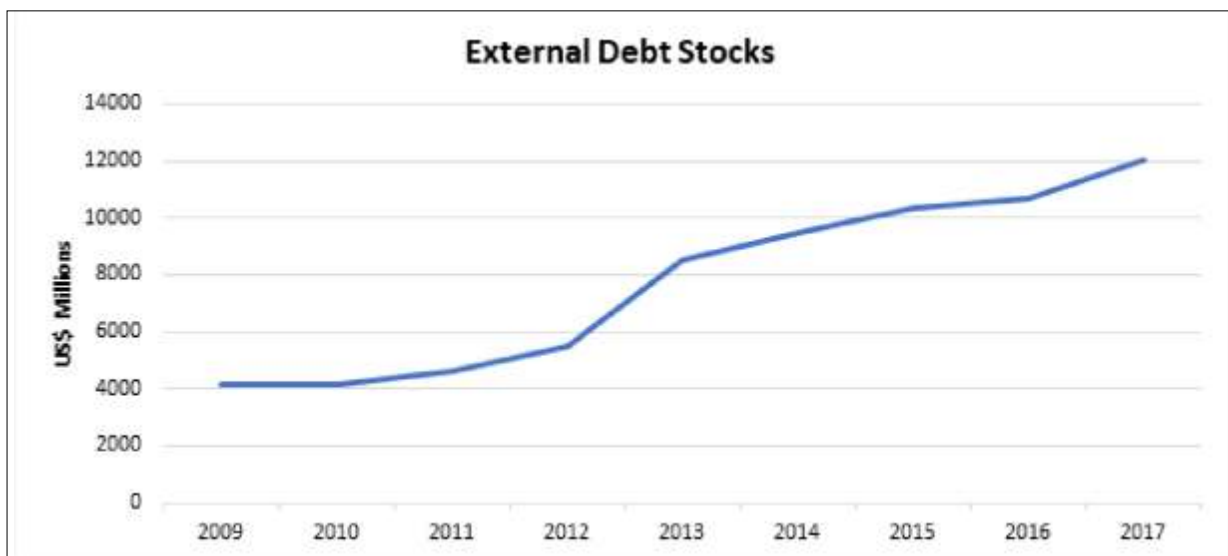
The overall stock of external arrears on public and publicly guaranteed external debt service had reached \$710 million at end-2017.

DEC
2017

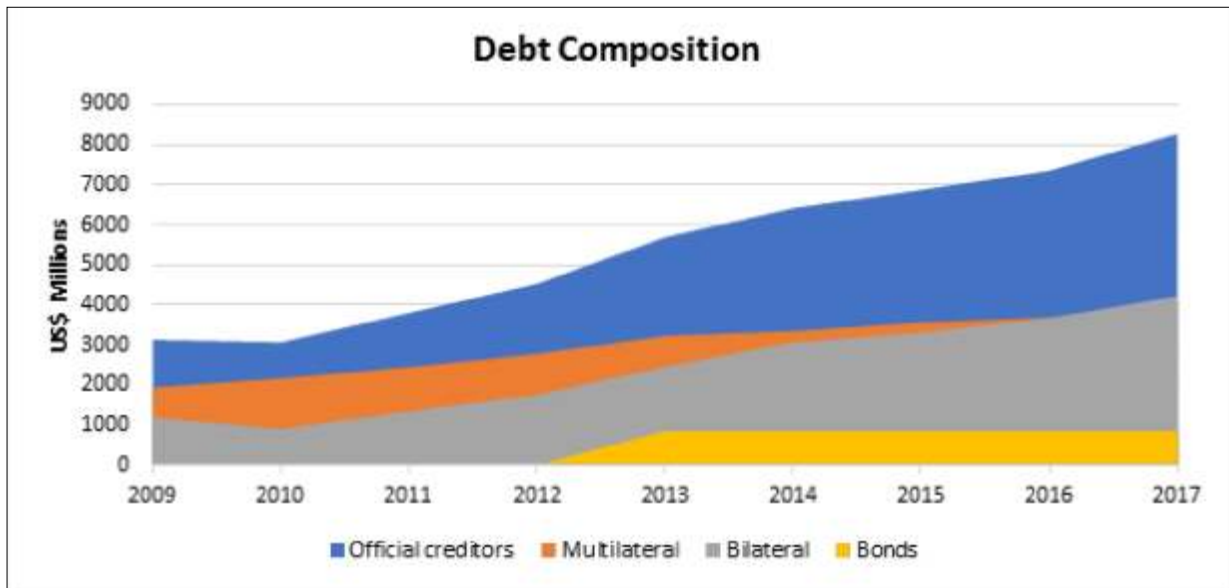
The 2017 fiscal deficit on a modified cash basis rose to around 8.2% of GDP compared to 7.6% of GDP in 2016, mainly due to continued spending pressures, including from a higher wage bill and high debt service costs.



External Debt Stock



External Debt Stock



Debt Risk

Total public debt service is projected to consume over **50%** of public revenue in **2018, 2019** and **2020**.

Mozambique's debt is currently in distress, and total public debt is on an unsustainable path.

The stark deterioration relative has been driven by:



The delayed fiscal policy response to weaker commodity prices,

OPTION 01

Limited control on State-owned enterprises borrowing that resulted in large undisclosed external debt (of about \$1.4 billion),

OPTION 02

Real exchange rate depreciation (48% since end-2014, even after accounting for the appreciation in 2017).

OPTION 03

The present value of external public and publicly guaranteed debt relative to GDP and the ratio of external debt service relative to revenues, surpass by more than 50% the prudent thresholds for several years

OPTION 04

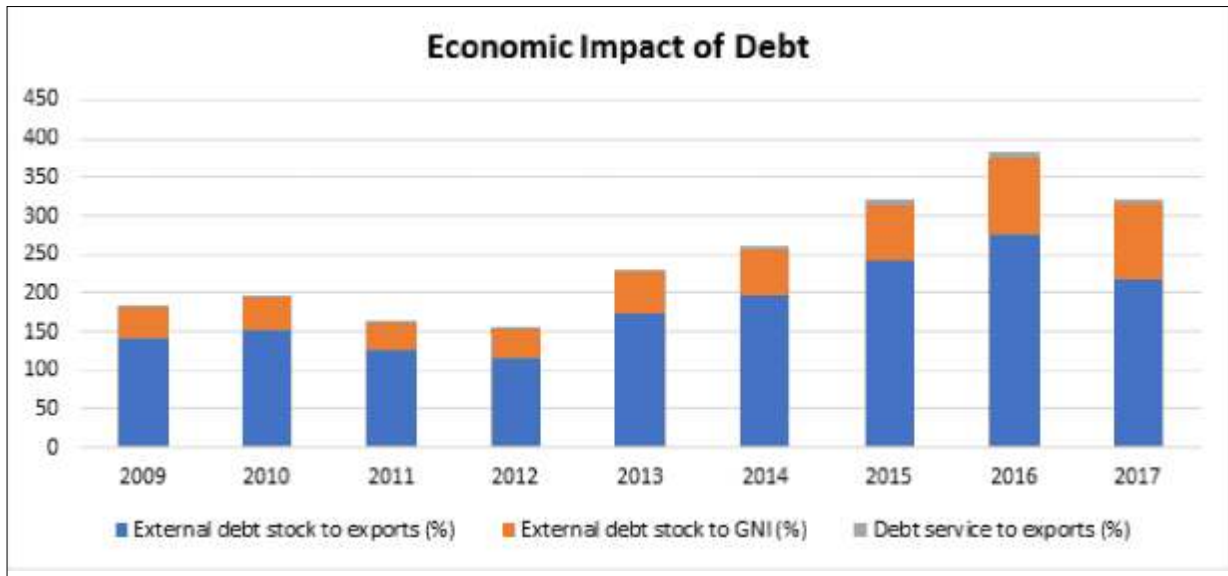
The overall stock of external arrears on public and publicly guaranteed external debt service reached \$709.7 million by end-2017, including arrears under bilateral discussions with 5 official creditors amounting to \$94 million

OPTION 05

The government announced a debt restructuring in October 2016 and has initiated discussions with selected creditors. However, no significant progress has been made so far.

OPTION 06

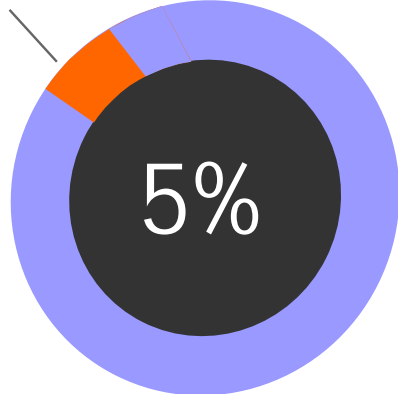
Economic impact of Debt: *Mozambique*



High external and domestic arrears

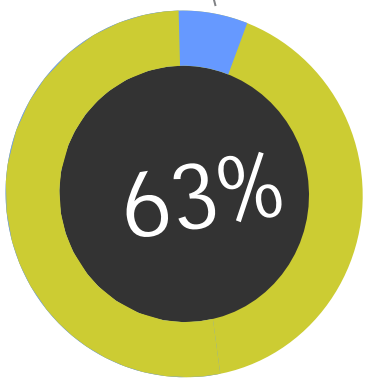
External arrears

The sovereign has been accumulating substantial external arrears (i.e. about 5% of GDP in external arrears)



Domestic arrears

Domestic arrears are ranging from 2.5 to 4.5% of GDP



The sovereign has been accumulating substantial external and domestic arrears (i.e. about 5% of GDP in external arrears, while the total amount of domestic arrears could be ranging from 2.5 to 4.5% of GDP) which adversely affect growth and financing prospects.

RECOMMENDATIONS : *Mozambique*

Large portion of the Mozambique debt is foreign currency dominated debt, hence, the debt dynamics are susceptible to fiscal policy slippages, tighter financing conditions and external exchange rate shocks. On that note, there is a call for prudent fiscal policy to rein in public debt.

The government should direct resources from debt to capital projects that have ability to payback and also towards productive sectors of the economy, contrary to funding recurrent expenditure.

There has been a significant rise in domestic debt, constituting a large share of the total public debt. Hence, the government should formulate and implement prudent domestic debt management strategies to mitigate the effects of rising debt on the economy.



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