Global Group of Mozambique Bondholders
Welcomes Improvements in Mozambique's Economic Outlook and
Urges Decisive Action on the Debt Resolution

LONDON AND NEW YORK, October 25, 2017 -- The GGMB notes that a full year has passed since the Mozambique government's proposition on a sovereign debt restructuring. That proposition has proved to be unworkable because it sought to bundle the legitimate claims of the Eurobond holders together with the evidently suspect claims against certain state-sponsored companies. Furthermore, the government demanded that the Eurobond holders (and other financiers) provide additional financial relief in order to cushion the position of the holders of the legally suspect claims--that approach is untenable. Also, the year-old proposition had no prospect of reaching a resolution since it wrongly assumed that Mozambique's economy would deteriorate, whereas Mozambique's economic outlook has recovered and is further improving.

Over the course of the last year, forensic and tribunal sources have underscored the illegality of the purported government guarantees. And with regard to the economic improvements, foreign reserves have continued to rise, the exchange rate has recovered, the gap in the trade balance has narrowed, inflation has declined rapidly, and growth has risen. The Mozambique authorities deserve credit for their successful efforts in stabilizing the economy.

Moreover, the IMF's World Economic Outlook (WEO) published in October 2017 reports Mozambique's public debt-to-GDP ratio for 2017 at 88 percent, which represents a drop of 42 percentage points from the 130 percent debt-to-GDP ratio stated in Mozambique's October 2016 presentation. Significantly, the IMF assesses that based on Mozambique's current economic policies without further adjustment, Mozambique's public debt-to-GDP ratio would fall to 66 percent by 2022, with real economic growth by then reaching 14 percent, almost twice the growth projection for any other country in Sub-Saharan Africa.

Accordingly, Mozambique is clearly not in medium-term debt distress. Rather, Mozambique has a short-term problem caused by its refusal—thus far—to follow the ruling of Mozambique's Administrative Tribunal and the evidence from the Kroll report, which would warrant the government disavowing the remaining $1.2 billion in illegal guarantees on the MAM and Proindicus liabilities. In this context, the Eurobond holders have sought to provide a constructive resolution that should satisfy all legitimate stakeholders. See June 29, 2017 press statement. The GGMB reiterates that disavowal of those purported guarantees and the liquidation of the insolvent MAM, Proindicus and Ematum entities is the appropriate restructuring that would accelerate Mozambique's economic recovery and restore access to external financing at the lowest cost to Mozambique. Furthermore, this course of action would be a significant step in addressing the past governance slippages that have been exposed. In contrast, the unworkable approach reflected in Mozambique's year-old proposition--seeking to externalize costs onto the bond markets, the donors and Mozambique's citizens--will continue to repel any legitimate support.

With the political realignment following the September Frelimo Party Congress, there is no longer any excuse of lack of political capacity in order to move forward. Accordingly, the GGMB urges the Mozambique authorities to follow through on the widely reported statements by H.E.

President Nyusi at the Congress to take decisive action to restore Mozambique's credibility and to maximize the country's exceptionally high growth prospects.

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