



REPÚBLICA DE MOÇAMBIQUE
MINISTÉRIO DA ECONOMIA E FINANÇAS
GABINETE DO MINISTRO

COMMUNIQUE

The Ministry of Economy and Finance of Mozambique takes note of the formation last week of the Global Group of Mozambique Bondholders (GGMB). The Ministry is encouraged by the willingness of the GGMB to maintain a dialogue with the government regarding the challenges facing Mozambique and the impact of these challenges on the country's debt payment capacity.

As was expressed clearly by the Ministry of Economy and Finance, during the investor presentation in London on 25 October, the deteriorating macroeconomic and fiscal situation in Mozambique leaves the government with no capacity to make payments to external commercial creditors in 2017 and very little capacity to make payments until 2022 even under an optimistic scenario. In light of these constraints, continuous support from multilateral and official creditor and a debt operation involving Mozambique's commercial public and publicly guaranteed (PPG) external debt are required alongside other budgetary measures to fill the financing gap.

One of the key priorities of the government is to facilitate the earliest possible resumption of IMF financial support for Mozambique, which in turn is necessary to unlock other financial resources from official and multilateral sources. Such resumption of IMF and other official and multilateral financing will help restore confidence in the Metical and in the government's economic and structural adjustment policies, and provide a stable foundation for the large amounts of FDI needed in the coming years to boost Mozambique's gas and other natural resources exports.

However the IMF cannot provide financing to any country whose debt is unsustainable unless steps are taken to put the country's debt back on a sustainable path. The country's current debt stock is not sustainable for these purposes, and the Mozambique authorities are committed to finding a consensual solution with the holders of its commercial PPG external debt to help bring its debt back on a sustainable trajectory and underpin an IMF program that will lay out the path to restoring economic stability. The Ministry recognizes that ongoing, substantial support of official and multilateral

lenders on concessional terms will also be needed over the coming years to support Mozambique's adjustment process and to help address the country's development needs.

In light of the above, the Ministry would encourage the GGMB as well as the lenders under the Proindicus and MAM loan facilities to engage proactively and constructively with the authorities in order to find a consensual solution as soon as possible. The Ministry sees no basis for distinguishing between different holders of commercial PPG external debt, and proposes to treat all such holders on an equitable and pari passu basis in line with best international practice. Furthermore, the Ministry does not see any reason to delay negotiations until the completion of the international audit relating to the EMATUM, MAM and Proindicus financings. The audit will not alter the quantum of debt needing to be treated, and any such delay could contribute to a worsening of the current difficult situation to the detriment of all stakeholders.

As stated at the London investor presentation, Mozambique encourages its commercial creditors to engage urgently with its financial and legal advisors, Lazard and White & Case, based on the principles of transparency, good faith and inter-creditor equity.

Maputo, 14th November, 2016