Sovereign Debt News Update No. 131: Mozambique’s Sovereign Debt Landscape Post October 2024 Elections

By:

The African Sovereign Debt Justice Network

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Mozambique continues to grapple with high debt pressures amid economic and political challenges. Post the October 2024 elections, recent developments highlight the government's efforts to manage its fiscal obligations, the impact of post-election tensions, and ongoing concerns over governance and accountability.

Mozambique's political landscape has been shaped by decades of conflict, governance struggles, and contested elections. The most recent elections of 9 October 2024 were marked by allegations of irregularities, protests, and a crackdown on opposition voices, exacerbating tensions in the country. The ruling party, Frente de Libertação de Moçambique (FRELIMO), continues to dominate the political scene, while opposition groups reject the results

announced by the National Electoral Commission (CNE) and civil society organizations push for greater transparency and democratic reforms. Since the upholding of the final results by the Mozambican Constitutional Court, there has been heightened violence that has resulted in loss of life, destruction of property and forced displacement. The African Union Economic Social and Cultural Council (ECOSOCC) has since expressed its concern on the ongoing post-electoral violence, calling on civil society organizations in the country to play a constructive role by initiating mediation and dialogue. This update provides information on economic developments that have taken place during this period.

Government Places €19M in 5-year Bonds

On the 10th of December 2024, the Mozambican government placed €19 million (USD$19 million) in five-year bonds to address its growing debt burden. The continued issuance of sovereign bonds underscores the high debt pressure the country faces, with efforts to restructure and manage fiscal responsibilities remaining a key concern. This move comes as part of broader efforts to stabilize the economy amid constrained public finances. At the same time, the government committed to paying salaries and pensions by December 20, 2024, while also pledging to settle debts to suppliers, estimated at 1.4 billion meticais (USD$21. million). Speaking during the opening of the economic report of the Confederation of Economic Activities of Mozambique (CTA), Minister of Transport and Communications Mateus Magala said these measures were aimed at minimizing the consequences of the demonstrations and strikes by ensuring access to food services and products for Mozambican families. While these commitments signal an attempt to restore fiscal credibility, they raise questions about the sustainability of Mozambique's public finances given the country’s existing debt challenges and the current unstable political environment.

Hidden Debt Scandal Detainees Set Free

The country’s political instability has also affected the outcome of the hidden debt scandal. In the wake of post-election protests, authorities transferred the hidden debt inmates from Lingamo prison to Machava in early December. On the 19th of December 2024, outgoing President Filipe Nyusi granted pardons to

1,119 convicts, a decision perceived as an effort to ease tensions and address human rights concerns. This move had a ripple effect of resulting in the release of the key figures implicated in the hidden debt scandal. As reported in the One Hundred and Twenty-Fifth Sovereign Debt News Update, the hidden debt scandal remains a critical issue in shaping Mozambique's fiscal future. According to Professor Adriano Nuvunga, Director of the Centre for Democracy and Human Rights (Centro Para Democracia e Direitos Humanos Mozambique), among the pardoned are:

• Ndambi Guebuza, eldest son of former President Armando Guebuza.

• Gregório Leão, former Director-General of Mozambique's State Intelligence and Security Service (SISE).

• António do Rosário, senior SISE officer and Chairman of EMATUM, MAM, and ProIndicus.

• Inês Moiane and Renato Matusse, Executive Secretary and Political Advisor to Armando Guebuza.

• Teófilo Nhangumele and Bruno Tandane, associates of Ndambi Guebuza.

The pardoning of these convicts brings into question the principles of justice and accountability, and risks eroding the progress that had been registered under the domestic courts. According to Professor Nuvunga, the *pardon is more than just a political decision as it is a turning point in Mozambique's fight against corruption and for the rule of law*.

Conclusion

Undoubtedly, this fragile political environment has significant economic implications, including declining investor confidence, disruptions to economic activities, and a worsening fiscal outlook. For ordinary Mozambicans, political instability translates into rising costs of living, limited access to essential services, and growing concerns about economic security. Mozambique's debt situation remains precarious, with the government balancing debt issuance, salary obligations, and governance challenges. While efforts to settle debts and stabilize finances are ongoing, political instability and calls for accountability will be crucial in shaping the country's economic trajectory. The African

Sovereign Debt Justice Network (AfSDJN) continues to monitor developments, advocating for the promotion of peace for the creation of a conducive environment for just and transparent debt management processes that prioritize economic justice and sustainable financial governance.

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