



Mozambique must declare the \$ 2Billion loan debt illegal and IMF should accept the the declaration as legitimate. The country should focus on rebuilding itself rather than paying an illegal loan;

HIGHLIGHTS



Upcoming event:

Media Capacity building on Debt Management Engagement and Reporting in Malawi mid April

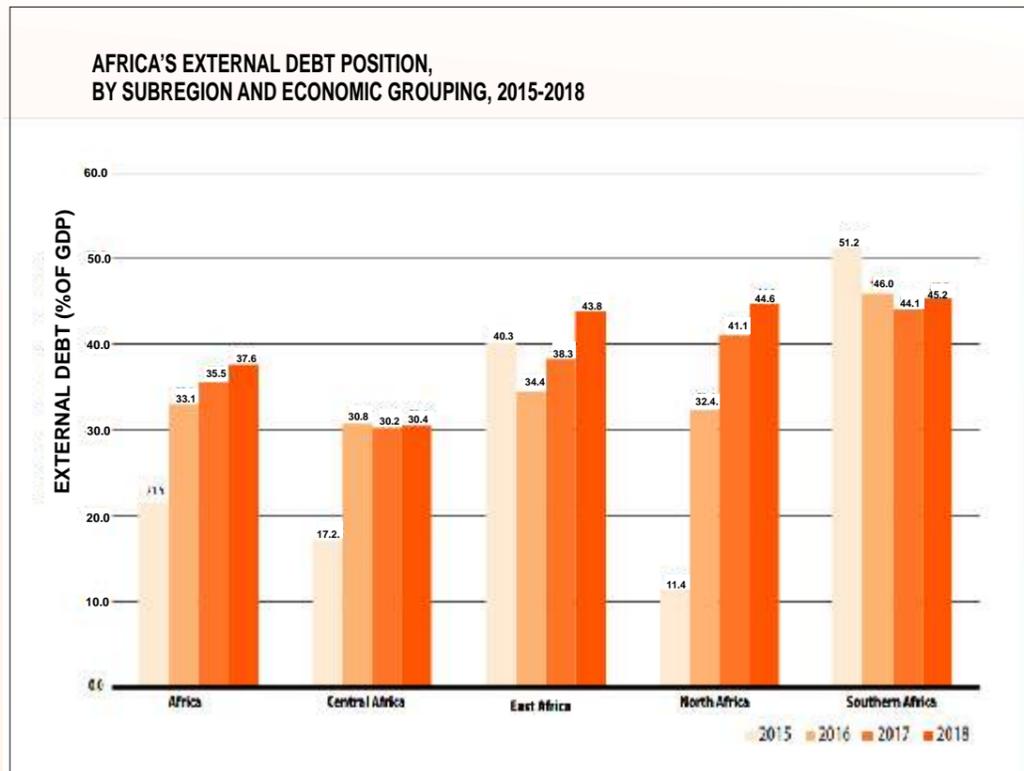
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AFRICAN COUNTRIES MUST BORROW RESPONSIBLY

Lenders must stop taking advantage!

For 23 years now, AFRODAD has been working to influence African governments to institute and implement policies and practices to advance sustainable development and poverty eradication. Much ground has been covered, but this work is more relevant than ever before.

Where is Africa in terms of responsible borrowing and the overall debt situation?
The image below paints a clear summary of the current state of affairs:



Source: Fiscal Policy for Financing Sustainable Development in Africa: Economic Report on Africa (2019)

"...the recent cyclone idai caused severe flooding and it was reported that 5,756 homes were destroyed and 15,467 homes were affected. Additionally, 8 hospitals and 938 classrooms were destroyed. Floods also ruined 168,000 hectares (420,000 acres) of crops. This has terribly complicated the country's agony."

But, are governments borrowing responsibly?
Are lenders being responsible?
Let's look at some 4 examples from each African region.

This week we start from Southern Africa.

Mozambique

In 2016, the discovery of undisclosed government loans worth up to \$2bn precipitated an abrupt end to Mozambique's economic success story. International Monetary Fund (IMF) aid was withdrawn and debt payments have subsequently been missed. Finance minister explained that creditors would have to wait another decade before being repaid (World Finance, 2018). Mozambique has been considered insolvent since 2017 and it has been effectively cut off from international credit lines. The government had been trying to offset its chronic budget deficit by seeking assistance from the International Monetary Fund (IMF). Meanwhile, it was borrowing from Mozambican commercial banks but these have since stopped buying government treasury bonds because they believe the risk of state bankruptcy is too high.

As if the above was not too much of a debt crisis, the recent cyclone idai caused severe flooding and it was reported that 5,756 homes were destroyed and 15,467 homes were affected. Additionally, 8 hospitals and 938 classrooms were destroyed. Floods also ruined 168,000 hectares (420,000 acres) of crops.

This has terribly complicated the country's agony.

SOURCES

[https://jubileedebt.org.uk/blog/can-mozambique-declare-the-2-billion-secret-](https://jubileedebt.org.uk/blog/can-mozambique-declare-the-2-billion-secret)
<https://jubileedebt.org.uk/press-release/mozambique-needs-urgent-action-on-debt-crisis-following-cyclone-idai>
The African Borrowing Charter (AFRODAD, 2018). (Mozambique's debt crisis: Who will pay the bill?, [https://www.dw.com/en/mozambiques-debt-crisis-who-will-](https://www.dw.com/en/mozambiques-debt-crisis-who-will)

Feedback can be forwarded to: communications@afrodad.co.zw

AFRODAD's position

1. Mozambique must declare the \$ 2Billion loan debt illegal and IMF should consider it as a legitimate declaration. The country should focus on rebuilding itself rather than paying an illegal loan;
2. All money for disaster relief and rebuilding healthcare, education and other crucial sectors must come as grants rather than loans, and Mozambique may need further debt relief;
3. For all African governments, all public debt and guarantees must be approved by Parliament which must also provide oversight on performance of the loans on behalf of citizens (this was not done when the Mozambican loan was contracted);
4. Public debt contraction and use shall be anchored in constitutionalism _backed by a legal framework and rule of law;
5. African governments should put in place arrangements to ensure the proper approval and oversight of official borrowing;
6. African governments have an obligation to disclose and publish relevant terms and conditions of all financing agreements to citizens and should respond openly to requests for related information from them;
7. African governments have a responsibility to conduct a meticulous investigation into the financial, operational, civil, social, cultural and environmental implications of the project and its funding;
8. African governments have a responsibility to put in place and implement a debt sustainability and management strategy;
9. African governments have a responsibility to weigh costs and benefits when contracting loans;
10. A public debt contract is a binding obligation and should be honored. However, cases can arise which could invalidate the debt (in support of point #1).

Our Financial Partners



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