



Centro de Integridade Pública

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# Um Olhar Sobre a Despesa Pública

## “Public Finances in Mozambique Continue Mired in Murkiness: a lack of transparency prevails.”

### I. Context

The Minister of Economy and Finance (MEF), Adriano Maleiane, announced on 21 February that a meeting with creditors is scheduled for March to restructure the public debt.

The Minister added in his interview that, for some time now, the country has been working on a strategy to bring public debt back to levels of sustainability and that now conditions exist to go to London to hold discussions with creditors.

According to the same source, at that meeting, which is expected to take place in the second half of March, the discussion are to focus on 17% of the stock of debt, relating to 50% of total debt service.

### II. Analysis

In light of these pronouncements, and assuming that EMATUM is already included in the stock of debt, the question that arises is: is the Minister saying that the **hidden debts of some US\$ 1.4 billion contracted by ProIndicus and MAM have already been incorporated into the stock of debt?**

The most recent publicly available information on the public debt on the MEF website is found in the quarterly bulletin on public debt for the first quarter of 2017, which only covers data on domestic and foreign

multilateral and bilateral debt, concealing the commercial debt that has been identified as problematic by the head of this Ministry.

The option of debt restructuring is seen as the only solution to restore macroeconomic balance and thus avoid the continuation of economic degradation that has begun to accelerate since 2016.

However, once again the Government is perceived as taking measures in a non-transparent way, without informing the general public of the implications of these measures.

This analysis brings up the following critical questions:

1<sup>st</sup>. There has not yet been a clear explanation as to who is actually going to pay for the hidden debts that were uncovered in April 2016. So far, the Government had been arguing that repayment was the responsibility of the companies that contracted the debts (albeit guaranteed by the Government). But with these pronouncements, the Minister is generating the perception that these debts have been included in the stock of debt.

2<sup>nd</sup>. What resources are to be used to pay the 17% of debt that is expected to be restructured?

Designação	2010	2011	2012	2013
Despesa Corrente	45.535,0	44.986,9	52.457,9	64.900,3
Despesa com Pessoal	10.204,9	12.674,1	13.456,0	17.680,7
Salários e encargos	1.854,3	1.253,6	1.567,1	2.096,4
Despesa com Materiais	0,0	0,0	0,0	1.987,5
Despesa Social	3.067,0	4.765,3	5.087,9	4.679,0
Outros serviços	6.100,0	5.986,2	6.345,0	4.756,8
Despesas de Capital	2.986,0	3.007,5	2.096,1	2.674,3

3<sup>rd</sup>. So far the Government has not provided any details on where and how the US\$ 350 million of capital gains received in 2017 are to be used. Can the head of the Ministry provide a detailed explanation of where that amount is deposited?

CIP wants to raise the alarm that mismanagement by some public officials can raise opportunity costs, to the detriment of creating a better future for citizens from the taxes they pay.

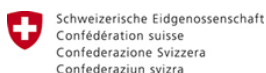
These questions therefore arise in the context of the loss of confidence in the information provided by the Government, which has grown significantly in the wake of the Government rejecting the existence of hidden debts in the recent past.

Finally, it is crucial that the official communications of the MEF to the public be free of asymmetries, otherwise it could engender an even greater loss of confidence.



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