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ANALYSIS OF THE GENERAL STATE ACCOUNT – 2023: The Government increased internal debt and cut spending on education, health, agriculture and rural development

By: Gift Essinalo

1. INTRODUCTION

The analysis of the 2023 General State Account (GSA) shows that the Government had set out to collect 357,063.8 million MT (a value that includes current and capital revenues) and to carry out public expenditure of 472,122.5 million MT. However, the execution of public revenue and expenditure was below schedule at 8.6% and 0.04%, respectively. As a result of the poor execution of revenue compared to expenditure, there was a worsening of the primary and global post-donation deficit[1], which was forecast at 115,058.7 million MT and 73,658.7 million MT, respectively to 145,535.9 million MT and 93,982.7 million MT.

The worsening of the deficit was mainly influenced by the high execution of operating expenses, which were 7.9% above programming. This resulted in the need to contract new public loans, which were 32.8% higher than the limit established in the Economic and Social Plan and State Budget (PESOE). In particular, the internal debt was 42.25% above schedule and investment spending, on the other hand, had a 25% reduction compared to the budget schedule.

This shift in the allocation of resources from productive to non-productive sectors is often motivated by the need to meet urgent and unavoidable commitments, such as spending on salaries and wages[2]. In the specific case of salaries, which account for more than 69.0% of tax revenues, execution was 9.5% higher than planned.

In 2023, spending allocated to the health, education, agriculture and rural development sectors[3] was drastically reduced. The agricultural sector, in particular, executed only 34.2% of what was planned. The trend of low execution in the agriculture sector raises questions about the realism of the state's financial programming, especially since the agriculture sector is considered crucial and the basis for the country's economic development, as stated in the Constitution of the Republic.

Finally, with regard to State assets, the Centre for Public Integrity (CIP) considers the provision of the annex (Volume IV) about the inventory of state assets to be positive, given that in the 2020 to 2022 accounts the executive had not made this information available. Transparency in relation to State assets is fundamental to guarantee accountability and integrity in the management of public resources.

1 The primary deficit corresponds to the budget deficit before interest, i.e., it is the difference between government revenue and primary expenditure excluding public debt charges. The global deficit after donations corresponds to the budget deficit after including donations.
2 This note uses the term salaries interchangeably to refer to salaries and wages.
3 This note uses the term agriculture sector to refer to the agriculture and rural development sector.

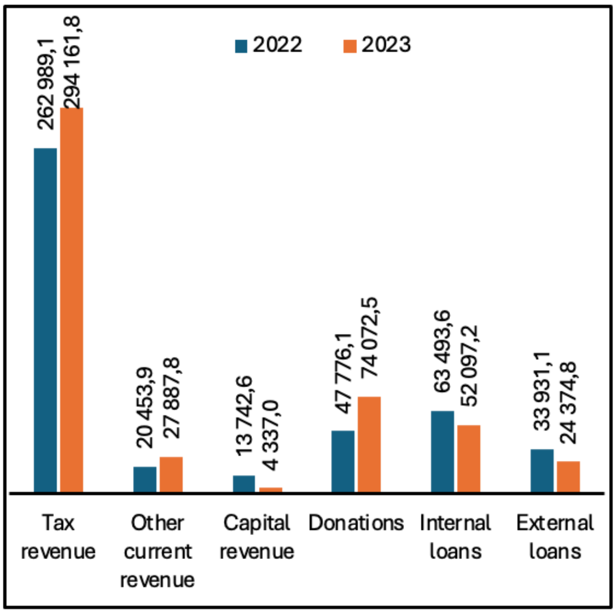
Em caso de dúvidas e mais informações contacte: gift.essinalo@cipmoz.org

2. PERFORMANCE OF RESOURCE ENVELOPE IN THE 2023 FINANCIAL YEAR

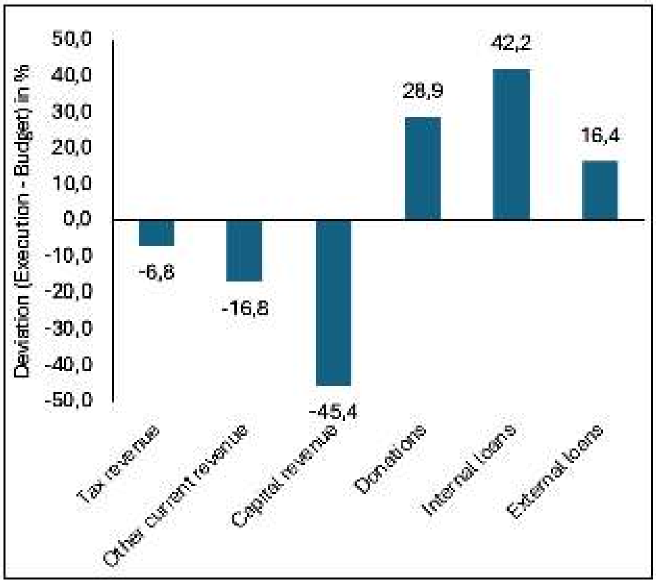
In the 2023 financial year, the Government had planned to collect approximately 472,122.4 million MT. However, the amount effectively collected was 476,931.1 million MT, which represents an increase of 7.8% in relation to the resources collected in 2022 and 1.0% compared to the schedule. Of the total revenue obtained, 61.7% corresponds to tax revenue, 5.8% to other current revenue, 0.9% to capital revenue, 15.5% to donations, 10.9% to internal loans and 5.1% to external loans.

Graph 2 shows that in 2023, the collection of tax revenue, capital revenue and incomes from other sources was below the planned by around 6.4%, 16.8% and 45.4%, respectively. On the other hand, donations and internal and external loans exceeded the planned values by 28.9%, 42.2% and 16.4%, respectively.

Graph 1: Distribution of funds by source, 2022-2023.



Graph 2: Deviation between Execution and Budget, 2023 (in %).



Source: CGE 2023.

NOTE: A deviation above zero means that execution was above the budgeted value and vice-versa.

It should be noted that internal credit has consistently exceeded the planned value. In 2023, this phenomenon was partially justified by the Government's resort to issuing Treasury Bonds (OT's) to securitise external debt, for an amount of approximately 6,162.5 million MT. The contracting of the 6,162.5 million MT to pay the external debt, in addition to being very expensive, approximately 16,143.47 million MT[4] in interest and capital, also constitutes a violation of the "Budget Golden Rule", which stipulates that the Government should only contract loans to finance investment projects.

Despite having exceeded the established limits, the execution of internal and external credits in 2023 shows a reduction of approximately 17.9% and 28.2%, respectively, compared to data from 2022. This can be considered positive in terms of public debt management, which is at high levels.

As far as tax revenues are concerned, these have increased by around 12.8% compared to 2022. Income taxes (IRPC and IRPS) and taxes on goods and services (VAT) contributed 46.3% and 33.9% respectively, followed by other national taxes, with a share of 6.85%, fees, with 4.3%, and other current revenue, with 8.7%.

4 Charles, E. (2024), *Moçambique recorre à dívida interna para pagar Dívidas Ocultas: uma análise crítica das implicações económicas*. // [*Mozambique resorts to internal debt to pay Hidden Debts: a critical analysis of the economic implications*] CIP – Centro de Integridade Pública. Available at: https://www.cipmoz.org/pt/2024/04/01/mocambique-recorre-a-divida-interna-para-pagar-dividas-ocultas-uma-analise-critica-das-implicacoes-economicas/. Accessed on 20/06/2024.

Table 1: Contribution of tax revenues by source, 2022-2023.

	(in Million MT) Execution		(in Million MT; in %) Year-on-year change 2022/2023		/Tax Revenue (%)		/GDP (%)	
	2022	2023	Value	%	2022	2023	2022	2023
Tax Revenues	**285,539.7**	**322,049.5**	**36,509.8**	**12.8**	**100.0**	**100.0**	**24.1**	**24.2**
Taxes without the Income	85,857.5	149,032.9	63,175.4	73.6	30.1	46.3	7.3	11.2
Taxes without Goods and Services	146,601.8	109,132.7	-37,469.1	-25.6	51.3	33.9	12.4	8.2
Other National Taxes	18,314.5	21,748.8	3,434.3	18.8	6.4	6.8	1.5	1.6
Taxes	12,215.3	14,247.4	2,032.1	16.6	4.3	4.4	1.0	1.1
Other Current Revenues	22,550.6	27,887.7	5,337.1	23.7	7.9	8.7	1.9	2.1

Source: GSA, 2023.

Revenues from concessions, dividends from public and affiliated companies, and megaprojects contributed 54,555.5 million MT, representing 16.9% of total revenues. Concessions contributed 1.6%, dividends 2.9% and megaprojects 12.4%. Compared to 2022, these revenues grew by around 41.2%.

Regarding tax benefits, in 2023, the country stopped receiving 26,140.0 million MT due to exemptions, whose value corresponds to 8.1% of State revenues in 2023. If we take into account that these exemptions affected megaprojects, this means that the State has given up receiving around 65% of the revenues from megaprojects.

It is important to note that, unlike the data on concessions, dividends and revenues from megaprojects, which are presented in a certain level of detail, the data on tax benefits/exemptions are not detailed, especially the breakdown of the beneficiaries of these exemptions.

The failure to discriminate the beneficiaries of tax benefits/exemptions, despite being a recurring practice in public accounts, is something that should be addressed in a more transparent and detailed manner. The breakdown of data on tax benefits/exemptions is important to promote transparency in public management, allowing citizens and supervisory bodies to better understand who the beneficiaries of these tax exemptions are and to assess whether these benefits are being granted fairly and efficiently.

Detailed reporting on the beneficiaries of tax benefits/exemptions helps to prevent possible abuses or undue favouritism and to detect irregularities in the granting of benefits/exemptions, promotes fairness in the distribution of benefits and strengthens public confidence in Government institutions.

Therefore, transparency in the disclosure of this information is essential for effective and accountable governance.

3. EXECUTION OF PUBLIC EXPENDITURE IN THE 2023 FINANCIAL YEAR

In 2023, public expenditure grew by 10.3% compared to the previous year, 2022. This increase was mainly driven by growth in operating expenditure and financial operations, which rose by 8.5% and 50.4% respectively. However, investment expenditure for the same period fell by 3.6%.

Regarding the distribution of expenditure by category, operating expenses accounts for 72.5% of public expenditure, while investment expenditure and financial operations represent 14.8% and 12.7% respectively. Within operating expenditure, personnel costs account for 43% of total expenses and 59.3% of operating expenditure.

In terms of the proportion of total expenditure, the data reveal that the Government has made disproportionate savings on investments to cover the increase in financing costs. Compared to 2022, in 2023 there was a reduction in investment of 2.2 percentage points, a reduction in operating expenditure by -1.2 percentage points, and an increase in expenditure with financial operations by 3.4 percentage points.

With regard to the deviations between programming and execution, the CGE 2023 highlights that in 2023, the execution of operating expenditure was 7.9% higher than programmed, while the execution of investment expenditure and financial operations were, respectively, 25% and 3.1% below programmed.

Table 2: Public Expenditures, 2022-2023.

	(in Million MT) Execution		(in Million MT; in %) Year-on-year change 2022/2023		/Expenditure Total (%)		/Tax Revenue (%)		/GDP (%)	
	2022	**2023**	**Value**	**%**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**
Public Expenditures	**427,750.9**	**471,922.5**	**44,171.6**	**10.3**	**100.0**	**100.0**	**162.6**	**160.4**	**36.2**	**35.4**
Operating Expenditures	315,306.4	341,989.8	26,683.4	8.5	73.7	72.5	119.9	116.3	26.7	25.7
Personnel Expenses	194,446.8	202,845.4	8,398.6	4.3	45.5	43.0	73.9	69.0	16.4	15.2
Debt Charges	35,434.2	51,553.5	16,119.3	45.5	8.3	10.9	13.5	17.5	3.0	3.9
Other operating expenditures.	85,425.4	87,590.9	2,165.5	2.5	20.0	18.6	32.5	29.8	7.2	6.6
Investment Expenditure	72,602.2	69,996.4	-2,605.8	-3.6	17.0	14.8	27.6	23.8	6.1	5.3
Internal Component	35,825.7	33,256.4	-2,569.3	-7.2	8.4	7.0	13.6	11.3	3.0	2.5
External Component	36,776.5	36,740.0	-36.5	-0.1	8.6	7.8	14.0	12.5	3.1	2.8
Financial Operations	39,842.3	59,936.3	20,094.0	50.4	9.3	12.7	15.1	20.4	3.4	4.5
Active	2,913.5	3,208.7	295.2	10.1	0.7	0.7	1.1	1.1	0.2	0.2
Passive	36,928.8	56,727.6	19,798.8	53.6	8.6	12.0	14.0	19.3	3.1	4.3

Source: GSA, 2023.

Operating expenditures represent 116.3% of total tax revenues. This means that if the economy depended on tax revenues, they would be insufficient to finance the running of public administration. Bearing in mind that personnel costs (salaries and wages) absorb around 69% of tax revenues, public debt charges absorb 17.5%. To cover the remaining of other current expenditures, estimated at around 87,590.9 million MT, the Government would have a deficit of 47,828.0 million MT.

Table 3 shows the evolution of public expenditures allocated to the institutions directly linked to the electoral process, namely the National Electoral Commission (CNE) and the Technical Secretariat for Electoral Administration (STAE).

Table 3: Expenses of institutions linked to the electoral process.

	(in Million MT) Execution		(in Million MT; in %) Year-on-year change 2022/2023		/ Total Expenditure (%)	
	2022	**2023**	**Value**	**%**	**2022**	**2023**
CNE	452.6	559.4	106.8	23.6	0.1	0.1
STAE	1,629.6	5,327.7	3,698.1	226.9	0.5	1.6

Source: GSA, 2022 and 2023.

In the 2023 financial year, CNE and STAE absorbed more than 5,887.13 million MT, corresponding to 1.68% of public expenditures. STAE recorded an increase of around 3,698.1 million MT, corresponding to an increase of 226.9% in relation to 2022. This increase is justified by the activities related to the conduct of the local elections that took place that year.

Sectoral commitments

For the year 2023, the Government reduced the budget allocation for sectoral commitments by 6.9 percentage points, compared to 2022, when they were valued at 166,930.5 million MT, corresponding to 39.0% of public expenditure. Specifically, the education, health and agriculture and rural development sectors suffered reductions of 6.1%, 5.4% and 44.3% respectively in 2023.

In terms of execution levels, the agriculture sector showed a very low level of execution, a similar situation to that of 2022, when, of the 47.292.64 million MT allocated to the sector, only 28.940.8 million MT were executed, which corresponds to a performance rate of 61.2%.

The agriculture sector has repeatedly reported low expenditure execution, which raises serious doubts about the realism of the financial programming for the sector. From the General State Accounts (CGE), it is not possible to identify the origin of this problem because it is not clear whether the problem lies with the sector, which is unable to effectively execute the allocated resources, or whether the issue lies with the Government, which may not be transferring resources to the sector in an appropriate and timely manner.

Understanding the origin of this problem is fundamental to improving the sector's performance, given its importance for the country's economic and social development. Clarifying responsibility for the low execution of expenditure is essential in order to implement effective corrective measures and ensure that the resources allocated to agriculture are used in an efficient and impactful way.

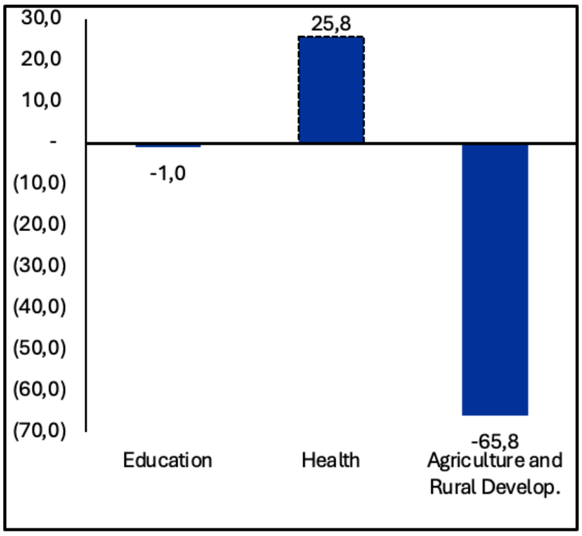
For the education sector, execution was 1% below schedule, while for the health sector it was 25.8% above programming.

Table 4: Sectoral Commitments, 2022-2023.

	(in Million MT) Execution		(in Million MT; in %) Year-on-year change 2022/2023	
	2022	**2023**	**Value**	**%**
Sectoral Commitments	**166,930.5**	**151,420.5**	**-15,510.0**	**-9.3**
Education	88200.4	82790.2	-5410.20	-6.13
Health	49789.3	52500.1	2710.80	5.44
Agriculture	28,940.8	16,130.2	-12810.60	-44.26
	/Total Expenditure (%)		**Sectoral Target**	
	2022	**2023**	**%**	
Sectoral Commitments	**39.0**	**32.1**		
Education	20.6	17.5	20.0	
Health	11.6	11.1	15.0	
Agriculture	6.8	3.4	10.0	

Source: GSA, 2023.

Graph 3: Deviation between Execution and Budget of priority sectors expenditures, 2023 (in %).



NOTE: A deviation above zero means that the execution was above the budgeted value and vice versa.

With regard to compliance with sectoral targets, in relation to the commitments made to allocate 10%, 15% and 20% of the State Budget to the sectors of agriculture (Maputo Declaration), health (Abuja commitment) and education (Dakar commitment) sectors, respectively, all sectors fell short of the target set (as shown in Table 4).

The agriculture sector had a drastic drop, going from 6.8% in 2022 to 3.4% in 2023, well below the 10% target. The health sector fell slightly, from 11.6% to 11.1%, while the education sector, which had previously reached the target with 20.6%, fell back to 17.5%.

The reduction in spending in the education sector is harmful in that the lack of investment, particularly in this sector, can lead to a significant reduction in potential GDP in the long term.

The results presented above indicate significant challenges in meeting the commitments made in relation to budget allocations for these vital sectors. It is essential to analyse the causes of these declines and work to ensure a more effective budget distribution in line with the targets set to promote the balanced and sustainable development of these key areas.

It should be noted that the goals established in the agreements signed aim to guarantee minimum investment in areas that are essential for the country's development. Thus, failure to meet these targets reveals insufficient commitment on the part of the Government in relation to the country's economic and social development issues.

Allocation of expenditure by territorial scope

In 2023, the allocation of expenditure by territorial scope was distributed as follows: 68.3% to the centralised governance bodies, 8.2% to the provinces, 2.0% to the decentralised governance bodies at provincial level (OGDP), 20.35% at district level, and 1.3% at municipal level.

Compared to 2022, there was an increase of 16.7% in the allocation of expenses at central level and 16% to the OGDPs. In turn, at provincial and district levels, the allocation reduced by 5.7% and 2.2%, respectively. At municipal level there was an increase of around 24.0%.

Table 5: Distribution of public expenses by territorial scope, 2022-2023.

	(in Million MT) Execution		(in Million MT; in %) Year-on-year change 2022/2023		/ Total Expenditure (%)		/GDP (%)	
	2022	**2023**	**Value**	**%**	**2022**	**2023**	**2022**	**2023**
Total Expenditure	**427,750.7**	**471,921.9**	**44,171.2**	**10.3**	**100.0**	**100.0**	**36.2**	**35.4**
Central	**275,999.1**	**322,149.2**	**46,150.1**	**16.7**	**64.5**	**68.3**	**23.3**	**24.2**
Provincial	41,032.9	38,704.0	-2,328.9	-5.7	9.6	8.2	3.5	2.9
OGDP	7,944.5	9,216.4	1,271.9	16.0	1.9	2.0	0.7	0.7
District	97,755.0	95,627.6	-2,127.4	-2.2	22.9	20.3	8.3	7.2
Municipal	5,019.2	6,224.7	1,205.5	24.0	1.2	1.3	0.4	0.5
					/Operation (%)			
Operation	**315,306.3**	**341,989.7**	**26,683.4**	**8.5**	**100.0**	**100.0**	**26.7**	**25.7**
Central	**175,644.7**	**207,411.7**	**31,767.0**	**18.1**	**55.7**	**60.6**	**14.9**	**15.6**
Provincial	36,855.4	32,033.9	-4,821.5	-13.1	11.7	9.4	3.1	2.4
OGDP	5,206.9	5,685.4	478.5	9.2	1.7	1.7	0.4	0.4
District	94,085.4	92,533.4	-1,552.0	-1.6	29.8	27.1	8.0	6.9
Municipal	3,513.9	4,325.3	811.4	23.1	1.1	1.3	0.3	0.3
					/Investment (%)			
Investment	**72,602.1**	**69,996.0**	**-2,606.1**	**-3.6**	**100.0**	**100.0**	**6.1**	**5.3**
Central	**60,512.1**	**54,801.3**	**-5,710.8**	**-9.4**	**83.3**	**78.3**	**5.1**	**4.1**
Provincial	4,177.5	6,670.1	2,492.6	59.7	5.8	9.5	0.4	0.5
OGDP	2,737.6	3,531.0	793.4	29.0	3.8	5.0	0.2	0.3
District	3,669.6	3,094.2	-575.4	-15.7	5.1	4.4	0.3	0.2
Municipal	1,505.3	1,899.4	394.1	26.2	2.1	2.7	0.1	0.1
					/Fin. Operations (%)			
Financial Operations	**39,842.3**	**59,936.2**	**20,093.9**	**50.4**	**100.0**	**100.0**	**3.4**	**4.5**

Source: GSA, 2023.

In terms of economic classification, it was observed that the central level absorbed 60.6% and 78.3% of investment and operating expenses, respectively, while at provincial level these allocations were 9.4% and 9.5%. The districts absorbed 27.1% and 4.4% of operating and investment expenditure, respectively. The OPDGs absorbed 1.7% and 5.0% of operating and investment expenditure respectively, the same situation observed in the municipalities, at 1.3% and 2.7%.

The strong concentration of expenditure at central level at a time when decentralization is being talked about can have several implications, one of which is that decentralization may not be being effectively implemented, since resources continue to be mostly concentrated in the central government.

The situation can hamper the ability of provinces, districts and municipalities to effectively assume their new responsibilities arising from decentralization, due to insufficient resources to meet local demand for public goods and services.

Transfer to communities

In 2023, the Government transferred approximately 77.1 million MT to communities, as part of the transfer of 2.75% tax on production to communities hosting extractive enterprises[5]. This value represents an increase of 79.7% compared to 2022.

As Table 6 illustrates progress has been made in terms of including more communities, from 16 in 2022 to 30 in 2023. However, despite these advances, the Government continues to select and exclude the communities benefiting from these transfers on a discretionary basis. For example, the district of Nipepe, Niassa province, despite being home to extractive enterprises[6], does not benefit from the 2.75%.

Table 6: Allocation of resources to communities within the scope of 2.75%, 2022-2023.

PROVINCE	DISTRICT	LOCALITY	2022	2023
Cabo Delgado	Montepuez	Nyamanhumbir	11.80	21.40
		Montepuez		1.20
	Balama	Balama	0.20	0.60
	Pemba	Pemba		0.20
	Ancuabe	Metoro	0.20	0.20
	Mecufi	Morrebue		0.10
Nampula	Larde	Topuito	6.70	6.60
	Angoche	Angoche	0.70	1.30
	Nacala	Nacala		0.10
		Mutiva		-
	Moma	Moma		0.10
	Meconta	Muecate		0.10
Zambézia	Pebane	Pebane		2.00
	Chide	Chitange	2.10	3.00
		Micaune	0.90	0.80
	Gurue	Gurue		0.30
	Morrumbala	Morrumbala		0.10

5 In 2022, Law no. 15/2022, of 19 December, the Mining Law, was approved, and for the 2023 financial year the implementation was based on Law no. 29/2022 of December 30, which approves the State Budget for 2023 and defines, in its Article 6, the percentage of 2.75% of the tax on oil and mining production for programmes aimed at the development of communities in the areas where the respective projects are located, under the terms of Article 20 of Law no. 20/2014, the Mining Law, and Article 48 of Law no. 21/2014, the Petroleum Law, both of 18 August. The methodology adopted for allocating funds to the communities consists of making resources available based on revenues from year n-2 (CGE, 2023).

6 Mate, R. e Rafael, S. (2024), *Nipepe expects to receive billions of dollars from graphite exploration, but with few benefits for the local population*. CIP – Centro de Integridade Publica. Available at: https://www.cipmoz.org/pt/2024/06/19/nipepe-expects-to-receive-billions-of-dollars-from-graphite-exploration-but-with-little-benefits-for-the-local-population/ . Accessed on 22/06/2024.

Tete	Moatize	Cateme	0.60	1.90
		25 de Setembro	0.60	1.90
		Chupanda II	0.60	1.90
		Benga	4.90	15.30
	Marara	Kachembe		2.80
Manica	Manica	Manica	0.50	0.50
		Machipanda	0.30	0.70
Sofala	Dondo	Mafambisse		0.10
Inhambane	Govuro	Pande	2.50	7.30
	Inhassoro	Maimelane	10.00	6.00
Gaza	Chibuto	Godide		0.10
Maputo	Moamba	Sábié		0.10
	Namaacha	Namaacha	0.30	0.40
TOTAL	**-**	**-**	**42.90**	**77.10**

Source: GSA, 2023.

In order to reduce subjectivity in the selection of communities benefiting from the 2.75%, the Government needs to map the communities receiving extractive enterprises and develop a selection criterion. For example, it could establish a minimum tax contribution value on the production of extractive enterprises from which communities begin to receive the 2.75%.

Establishing and clarifying the selection criteria for the communities that would benefiting from the 2.75%, in addition to promoting transparency in the process of allocating these resources, guarantees a fairer and more equitable distribution of resources to the communities impacted by extractive projects.

4. PUBLIC DEBT

In 2023, the Government had programmed new public debt contracts worth 57,580.7 million MT, of which 36,648.0 million MT were internal credit and 20,932.7 million MT external credit. In terms of execution, new public debt contracts amounted to 76.472 billion MT, 32.8% above the program. Internal and external credit were 42.2% and 16.4% above schedule, respectively.

As demonstrated in Section 2, one of the factors that contributed to the breach of the domestic debt limit had to do with the need to meet the obligations arising from the extra-judicial agreement with ProIndicus' creditors (Credit Suisse and local banks, excluding VTB). The total payment was USD 522 million, of which the Government paid USD 142 million. Of this amount, USD 46 million came from exceptional budget revenues, resulting from the cancellation of a natural gas exploration contract in the Rovuma basin, and USD 96 billion (corresponding to 6,162.5 million MT) came from the issuance of OT's, whose maturity is six years (IMF, 2024).[7]

In terms of public debt stock, this reached 971,436.1 million MT, representing a growth of 5.1% compared to 2022. The domestic debt increased by 11.44% compared to 2022, rising from 281,548.4 to 313,780.4 million MT. The external debt increased by 2.3% compared to 2022, going from 642,557.7 to 657,655.7 million MT.

The external debt represents 67.7% of the total public debt, while the domestic debt corresponds to 32.3% of this value.

7 FMI (2024). Republic of Mozambique: Third Review Under the Three-Year Arrangement Under the Extended Credit Facility. N. 24/8. Available at: https://www.imf.org/en/Publications/CR/Issues/2024/01/17/Republic-of-Mozambique--Third-Review-Under-the-Three-Year-Arrangement-Under-the-Extended-543866 . Accessed on 23/06/2024.

Table 7: Public Debt, 2022-2023.

	(in Million MT)		(in Million MT; in %)					
	Execution		Year-on-year change 2022/2023		/ Total Debt (%)		/GDP (%)	
Year	**2022**	**2023**	**Value**	**%**	**2022**	**2023**	**2022**	**2023**
Total Public Debt	**924,106.2**	**971,436.1**	**47,329.9**	**5.1**	**100.0**	**100.0**	**78.2**	**73.0**
Internal Debt	**281,548.4**	**313,780.4**	**32,232.0**	**11.4**	**30.5**	**32.3**	**23.8**	**23.6**
BT's	69,872.1	85,535.8	15,663.7	22.4	7.6	8.8	5.9	6.4
OT's	143,992.9	158,140.8	14,147.9	9.8	15.6	16.3	12.2	11.9
Central Bank	42,079.4	42,064.5	-14.9	0.0	4.6	4.3	3.6	3.2
Others	25,604.1	28,039.3	2,435.3	9.5	2.8	2.9	2.2	2.1
External Debt	**642,557.7**	**657,655.7**	**15,098.0**	**2.3**	**69.5**	**67.7**	**54.3**	**49.4**
Multilateral	320,269.7	348,689.5	28,419.8	8.9	34.7	35.9	27.1	26.2
Bilateral	264,805.0	251,459.3	-13,345.7	-5.0	28.7	25.9	22.4	18.9
Eurobonds/MOZAM 2032	57,483.0	57,510.0	27.0	0.0	6.2	5.9	4.9	4.3

Source: GSA, 2023.

Although the external debt represents a larger portion of the public debt, the cost associated with it is relatively much lower compared to that of domestic debt. For example, when analysing public debt service in the 2023 financial year, we observe that domestic debt service was 272.2 million MT, while external debt service was only 43.1 million MT. This result is due to the fact that the interest rates associated with domestic debt are much higher in relation to those associated with external debt.[8]

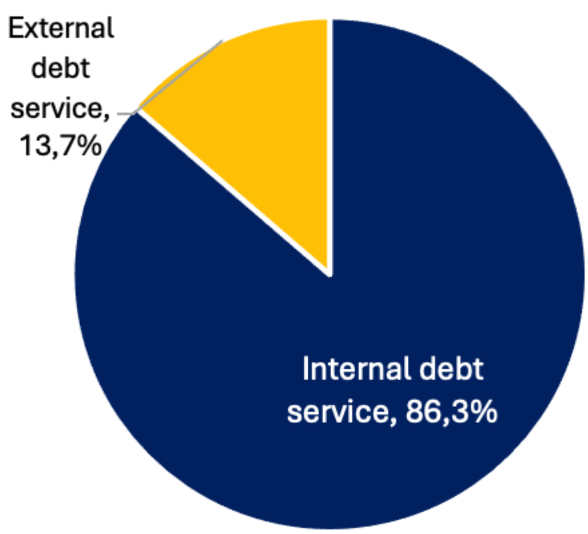
Table 8: Public debt service, 2022-2023.

	(in Million MT) Execution	
	2022	**2023**
Public debt service	**295.6**	**315.3**
Internal	260.7	272.2
External	34.9	43.1

	(in Million MT; in %) Year-on-year change 2022/2023	
	Value	**%**
Public debt service	**19.8**	**6.7**
Internal	11.5	4.4
External	8.3	23.7

Source: Public Debt Report, 2023.

Graph 4: Relative weigh of internal and external public debt service, 2023 (in %).



As illustrated in Graph 4, the domestic debt, which represents 32.3% of the public debt, has an associated debt service equivalent to 86.3% of the total debt service.

According to the Rule of 72, a formula that aims to estimate the time needed to double the value of a given investment based on a fixed interest rate, if the interest rate associated with the domestic debt remains in the range observed in the period from 2016 to 2023, which was 16.7%-21.6%, the domestic debt service could, by 2028, reach 544.39 million MT[9]. This figure shows the need to urgently replace domestic debt contracting levels with other alternative financing sources with lower interest rates, such as concessional credits.

8 Public debt reports published by the Ministry of Economy and Finance (MEF) show that in the period from 2016 to 2023 the cost of public debt, calculated by the weighted average interest rate, was in the range of 16.7% to 21.6% for domestic debt, and 1.5% to 2.6% for external debt.
9 For this calculation, it was considered the weighted average of the lowest interest rate observed during the period from 2016 to 2023.

5. STATE ASSETS

The Government ‘s attitude to make Volume IV of the CGE available in this edition, which deals with the consolidated inventory of State assets, is to be welcomed. It is important to highlight that the last time this information was released by the Government was in the 2019 CGE. Previously, it was only possible to consult information on the inventory of State assets through the CGE Reports and Opinions of the Administrative Court.

The 2023 CGE reveals that, this year, the level of State assets increased quantitatively by 43,108 units for movable assets, 2,226 vehicles and 153 for real estate. However, despite this increase in quantitative terms, there was a reduction of 13,038.2 million MT in terms of net assets.

Table 9: Change in assets by Asset category by the end of 2023.

Entities	Categories of goods	QUANTITY		GROSS ASSETS (in Mil. MT)			NET ASSETS (in Mil MT)		
		Initial	Final	Initial	Final	Variation	Initial	Final	Variation
State Institutions (Direct Administration) - Centralised Administration	MÓVABLE ASSETS	1,341,825	1,375,040	39,917,662	49,740,286	9,822,624	6,496,666	12,106,832	5,610,166
	VEHICLES	23,228	25,015	45,736,309	47,891,194	2,154,885	6,634,774	5,699,143	-935,631
	REAL ESTATE	11,734	11,797	246,375,554	249,990,161	3,614,606	176,732,815	173,643,653	-3,089,162
State Institutions (Direct Administration) - OGDP	MÓVABLE ASSETS	51,727	52,865	1,240,366	1,240,366	0	154,154	131,537	-22,618
	VEHICLES	1,562	1,589	4,189,664	4,233,594	43,929	172,705	123,457	-49,248
	REAL ESTATE	394	395	248,056,212	248,196,323	140,111	176,732,815	165,884,541	-10,848,274
Public Companies (Indirect Administration)	MÓVABLE ASSETS	102,281	109,383	23,035,119	25,996,918	2,961,799	6,182,350	7,528,779	1,346,429
	VEHICLES	2,394	2,565	7,115,719	7,515,975	400,256	994,274	898,195	-96,079
	REAL ESTATE	5,897	5,908	141,591,365	141,629,031	37,666	93,900,667	88,936,164	-4,964,503
Local Authorities (Indirect Administration)	MÓVABLE ASSETS	48,702	50,355	2,928,716	272,806	-2,655,910	272,806	281,137	8,331
	VEHICLES	2,491	2,732	274,943	385,816	110,873	274,943	385,816	110,873
	REAL ESTATE	630	708	10,542,310	10,433,790	-108,520	10,542,310	10,433,790	-108,520
Subtotal	MÓVABLE ASSETS	1,544,535	1,587,643	67,121,864	77,250,376	10,128,512	13,105,976	20,048,285	6,942,309
	VEHICLES	29,675	31,901	57,316,635	60,026,579	2,709,943	8,076,696	7,106,611	-970,085
	REAL ESTATE	18,655	18,808	646,565,440	650,249,304	3,683,864	457,908,607	438,898,148	-19,010,459
TOTAL GERAL		**1,592,865**	**1,638,352**	**771,003,939**	**787,526,259**	**16,522,320**	**479,091,279**	**466,053,044**	**-13,038,235**

Source: GSA, 2023.

The reduction in net assets during the period was caused by the decrease in the value of real estate, which fell from 457.908.6 million MT to 438.898.1 million MT, corresponding to a reduction of 4.2%. The net value of real estate also suffered a reduction of 12%, while the value of other movable assets increased by 53%.

6. FINAL CONSIDERATIONS

The year of 2023 was marked by an increase in public debt and a reduction in effective allocations to priority sectors such as health, education, agriculture and rural development. The recurrent low execution in the agricultural sector highlights the need to re-evaluate the reason behind this situation and review the reality of the budget allocated to the sector.

In relation to available resources, there was an excess of 1.0 percentage points over the forecast, due to the increase in donations and public debt, which exceeded the planned amount by 28.9% and 32.8%, respectively. On the other hand, tax revenues and incomes from other sources were 6.8% and 16.8% lower than expected.

As far as public expenses are concerned, these were slightly below realisation, at around 0.04%. Operating expenditures were 7.9% higher than planned, while investment and financial operations expenses were 25% and 3.1% lower than programmed. Operating expenditures were mainly impacted by the increase in personnel costs, debt charges and other operating costs, including expenses related to the local elections.

In terms of the allocation of expenditure at territorial level, the distribution was as follows: around 68.3% to the central level, 8.2% and 20.35% to the provincial and district levels, respectively, while the municipal level was allocated 1.3% of expenditure.

As for public debt, it continues to grow. In the period of 2022 and 2023 it increased by around 5.1%, with a level of execution of new contracts set at 32.8% above programmed. Approximately 71.9% of this increase is due to the growth in internal credits, which, during this period, were 42.2% higher than what had been programmed. Although domestic debt only makes up 32.3% of total debt, its cost is 86.3% of total debt service. This fact calls for the urgent need for the Government to replace this source of financing, the source of internal debt, with external debt in order to guarantee greater financial sustainability in the long term.

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Partners:

Editorial Information

Director: Edson Cortez

Author: Gift Essinalo

Peer Review: Borges Nhamirre e Rui Mate

Language Review: Samuel Monjane

Propriety: Centro de Integridade Pública

Rua Fernão Melo e Castro,
Bairro da Sommerschield, nº 124
Tel: (+258) 21 499916 | Fax: (+258) 21 499917
Cel: (+258) 82 3016391
@CIP.Mozambique @CIPMoz
www.cipmoz.org | Maputo - Moçambique