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Fiscal Repercussions in Mozambique's Treasury Bonds

- Unveiling Fiscal Costs of 1.6 billion MZN as BCI Bank Reaps Significant Benefits From Interest Rate Increases

Abstract

In Mozambique's 2022 treasury bond market, strategic actions by bond operators significantly affected bond issuance and public auction participation, leading to profound fiscal impacts. The issuance of treasury bonds with variable interest rates, amidst anticipated hikes in interest rates, strategically advantaged the bond operator BCI Bank, resulting in considerable private gains at the expense of the state. This article also sheds light on the transition of former Frelimo party leaders to top positions in the country's major banks. The analysis underscores problematic political dynamics, with BCI Bank's appointment of Mozambique's former prime minister as the President of the Board of Directors, raising concerns over potential conflicts of interest and the capture of the public sector by private interests. Consequently, the state faces an additional fiscal burden of 1.6 billion MZN in interest payments due to the issuance of bonds with variable rather than fixed interest rates in early 2022. These findings underscore the need for more transparency and regulatory oversight in the treasury bond market. The paper calls for immediate policy measures to enhance accountability and protect Mozambique's fiscal health from practices that disproportionately benefit a select few at the expense of the public coffers.

1. Introduction

Treasury bonds *(Obrigações do Tesouro)* are essential financial instruments for Mozambique's government, serving as medium to long-term loans that are used to manage the country's debt. These bonds are instrumental in managing government debts, financing budget deficits, refinancing existing obligations, and replacing higher-cost securities. Issued in the national currency with a face value of 100 MZN, the volume of treasury bonds witnessed a significant increase from 2018 to the end of 2022, escalating from 32.6 billion MZN to a striking 144.0 billion MZN, a surge of 342% *(Tribunal Administrativo*, 2023).

The issuance of the treasury bonds for the year 2022 was approved by the Ministerial Diploma No. 170/2021 of the Ministry of Economy and Finance (MEF) (*República de Moçambique,* 2021). This Diploma set forth an issuance of 53.1 billion MZN. According to the General State Account of the MEF (2023), treasury bonds were eventually issued in the amount of 51.5 billion MZN in 2022. Notably, the interest rates payments for treasury bonds in the year 2022 amounted to 12.7 billion MZN, exceeding the amounts used for the principal repayments of 11.2 billion MZN and thus, culminating in an end-of-year balance of debt of almost 144 billion MZN.

Key to the distribution and management of these bonds are the specialized treasury bonds operators *(Operadores Especializados de Obrigações do Tesouro, OEOT)*, a group of 17 financial intermediaries registered with the Mozambique Stock Exchange *(Bolsa de Valores de Moçambique, BVM)*.[1] These financial intermediaries are obliged to ensure the placement of the bonds in alignment with the annual issuance plan and the state's objective. The treasury operators are entrusted with bridging the gap between the Mozambique's financing requirements and providing investor access to government debt instruments. In the year 2022, 15 registered OEOTs actively participated in the treasury bond market, with major financial institutions like BCI Bank, Standard Bank, ABSA Bank, Millennium BIM, BIG Bank, and Amaramba Capital Dealer[2] handling the largest volumes.[3]

Under the guidelines of the Ministerial Diploma No. 90/2013 of the Ministry of Economics and Finance (2013), treasury bond operators are charged with issuing bonds that adhere to competitive interest rates – within the maximum rate the State is willing to pay. The National Treasury Directorate *(Direcção Nacional do Tesouro e Cooperação Económica e Financeira*, DNTCEF) of the MEF holds the authority to make the ultimate decisions on the acceptance of the interest rates.

The treasury bond operators have exclusive access to the primary treasury bond market. Operators are allowed to indicate their preferred interest rates to the National Treasury Directorate and the total amount they aim to invest. After the MEF's final approval, the participating treasury operators must allocate the bonds into two separate accounts: one comprising the treasury bonds that can be held by the operators until maturity and another for public transactions *(Conselho de Ministros*, 2013). In line with the goal of promoting widespread access and fair participation in Mozambique's treasury bond market, operators are obliged to ensure that a minimum of 30% of their acquired treasury bonds is made available to the public through the Mozambique Stock Exchange (secondary bond market).

Table 1 illustrates the allocation of treasury bonds distributed to the public in 2022. It is noteworthy that the second series of bonds issued in that year fell short of the mandated public dispersal rate, with only 28.5% reaching the public against the required 30%. BCI Bank, Standard Bank, BIG Bank, and Amaramba Capital Dealer acted as the bond operators in this issuance series. Table 1 further shows that public dispersal rates of treasury bonds were considerably lower in the initial series of 2022.

1 According to information from the *Tribunal Administrativo* (2023), the following institutions are registered as treasury bond operators: *BancABC*; *Cooperativa de Poupança e Crédito*; *Millennium BIM*; *Banco Comercial e de Investimentos* (BCI); *ABSA Bank Moçambique*; *Banco Nacional de Investimentos*; *Banco Terra Moçambique*; *Ecobank Moçambique*; *Moza Banco*; *Standard Bank*; *First National Bank*; *Banco de Investimento Global* (BIG); *Nedbank Moçambique*; *Banco Mais e First Capital Bank*; *Access Bank Mozambique*; *Amaramba Capital Dealer*; *United Bank for Africa Moçambique e SL Capitais*.

2 Amaramba Capital Dealer (2023) is a financial services firm in Mozambique that offers brokerage and dealership services. Amaramba Capital Dealer was founded in 2015 by their Managing Partner Joaquim Moisés Bazar, a former Barclays Bank employee who serves as a Financial Lecturer at the *Universidade Técnica de Moçambique*. According to information from the company's website, Amaramba Capital Dealer has evolved to become the country's largest full-service non-bank advisory institution. Regulated by the Bank of Mozambique, it is a member of the Mozambique Stock Exchange and provides a range of services including trade execution, settlement, custodial services, and market analysis.

3 The volume of ABSA Mozambique amounted to 12.08 billion MZN, Millennium BIM to 9.52 billion MZN, Standard Bank to 7.91 billion MZN, BCI Bank to 7.01 billion MZN, Amaramba Capital Dealer to 6.44 billion MZN, and BIG bank amounted to 2.99 billion MZN.

Table 1 Share of publicly dispersed treasury bonds in 2022

Series	Series value (1000s MZN)	Public dispersion (secondary market)
1st	3,105,009	34.2%
2nd	3,656,073	28.5%
3rd	1,454,041	36.7%
4th	1,306,699	57.0%
5th	4,063,479	43.6%
6th	4,998,887	35.2%
7th	4,192,123	84.4%
8th	4,119,819	75.1%
9th	6,709,667	67.2%
10th	16,842,017	77.3%
11th	1,061,000	100.0%
Total	**51,508,714**	**62.4%**
Fonte: *Tribunal Administrativo* (2023).		

This paper sheds light on the strategic dispersal of treasury bonds to the public. Specifically, it questions whether certain treasury bond operators limit public access to these bonds for private financial gains. This study examines the interplay between bond operators and heightened interest rates. It shows how treasury bond operators have leveraged bonds with variable interest rates and quantifies its fiscal impact.[4]

We delve into the strategic positioning of BCI Bank within Mozambique's treasury bond market in the early part of 2022, a period characterized by the expectation of rising reference interest rates. Our statistical analysis reveals that BCI Bank's engagement as a treasury bond operator is linked with a marked decrease in public auction participation. Bond operators had an interest in the issuance of bonds with variable interest rates in early 2022 — in anticipation of the Central Bank's impending rate hikes. This strategy positioned BCI Bank to substantially benefit from the increase in reference rates that occurred during 2022, ultimately imposing a fiscal cost on the state.

The remainder of the paper is organized as follows: Section 2 scrutinizes whether the involvement of the treasury bond operators BCI Bank systematically translated to a lower dispersion of bonds to the public. Section 3 explores the relationship between the activities of bond operators and the prevalence of variable interest rate bonds. Section 4 shows who benefits from the increase in the interest rates and assesses the financial implications for the state. Section 5 summarizes the main findings and discusses the political ties of BCI Bank. Finally, Section 6 proposes policy recommendations to improve transparency in the treasury bond market.

2. Treasury bond operators and public dispersion of bonds

This section investigates whether the distribution of treasury bonds to the public is contingent on the bond operator involved.

Due to the absence of disaggregated data on the bond dispersal level by individual operators, we draw upon aggregate public dispersion figures and the participation level of operators in each auction series. Using this information, we statistically infer if specific bond operators are linked with reduced levels of public dispersal of treasury bonds. Utilizing the records of the Mozambique Stock Exchange *(BVM, 2023a)* concerning the treasury bond transactions for the year 2022, we apply an Ordinary Least Squares (OLS) model.

We regress the level of public bond dispersion[5] on the engagement of the treasury bond operators—BCI

4 According to the World Bank (2023), Mozambique has one of the highest real interest rates in Sub-Saharan Africa.

5 For the dependent variable a logarithmic transformation of the public dispersion values is used, which helps to deal with heteroscedasticity by compressing larger values and reducing the potential impact of outliers.

Bank, Standard Bank, BIG Bank, and Amaramba Capital Dealer—relative to the total bond issuance in each series. The bond operators BCI Bank, Standard Bank, BIG Bank, and Amaramba Capital Dealer are explicitly included as predictors in the regression analysis, because these operators participated in the auction when public dispersion of treasury bonds fell below the mandatory 30%.

The regression results shown in Table 2 indicate that the involvement of BCI Bank as a bond operator is linked to a statistically significant reduction in public dispersion rates.[6] Specifically, a 10-percentage point increase in BCI Bank's auction share is associated with about a 35% decrease in the public dispersion of treasury bonds, when other factors are held constant. BCI Bank's presence as a bond operator is thereby linked to a notable decrease in the likelihood of treasury bonds being publicly dispersed.

Table 2 Regression showing how the involvement of treasury bond operators influences public dispersion

Dependent variable:	**Public Dispersion** ***(in logs)***
Intercept	22.52***
	(0.44)
BCI Bank	-0.035**
	(0.010)
Standard Bank	-0.004
	(0.011)
BIG Bank	-0.017
	(0.022)
Amaramba Capital Dealer	-0.013
	(0.016)
R^2	0.72

Notes: Significance codes: *** p < 0.01; ** p < 0.05; * p < 0.10. Standard errors are in parentheses. The value of public dispersion is in MZN. The Ordinary Least Squares (OLS) regression includes the shares of the treasury bonds managed by the operators BCI Bank, Standard Bank, BIG Bank, and Amaramba Capital Dealer as a proportion of the total treasury bonds issued in the respective series.

The involvement of BCI Bank as a treasury bond operator made public dispersion of treasury bonds in 2022 significantly less likely.

While the statistical analysis also indicates negative associations between public distribution of treasury bonds and the participation of Standard Bank, BIG Bank, and Amaramba Capital Dealer in the primary bond market, these are not statistically significant, suggesting their influence on public dispersion rates was not substantial for the year 2022.

6 The R-squared value of 0.72 suggests that a high share of the variability in public dispersion can be explained by the regression model, indicating a good fit of the model to the data.

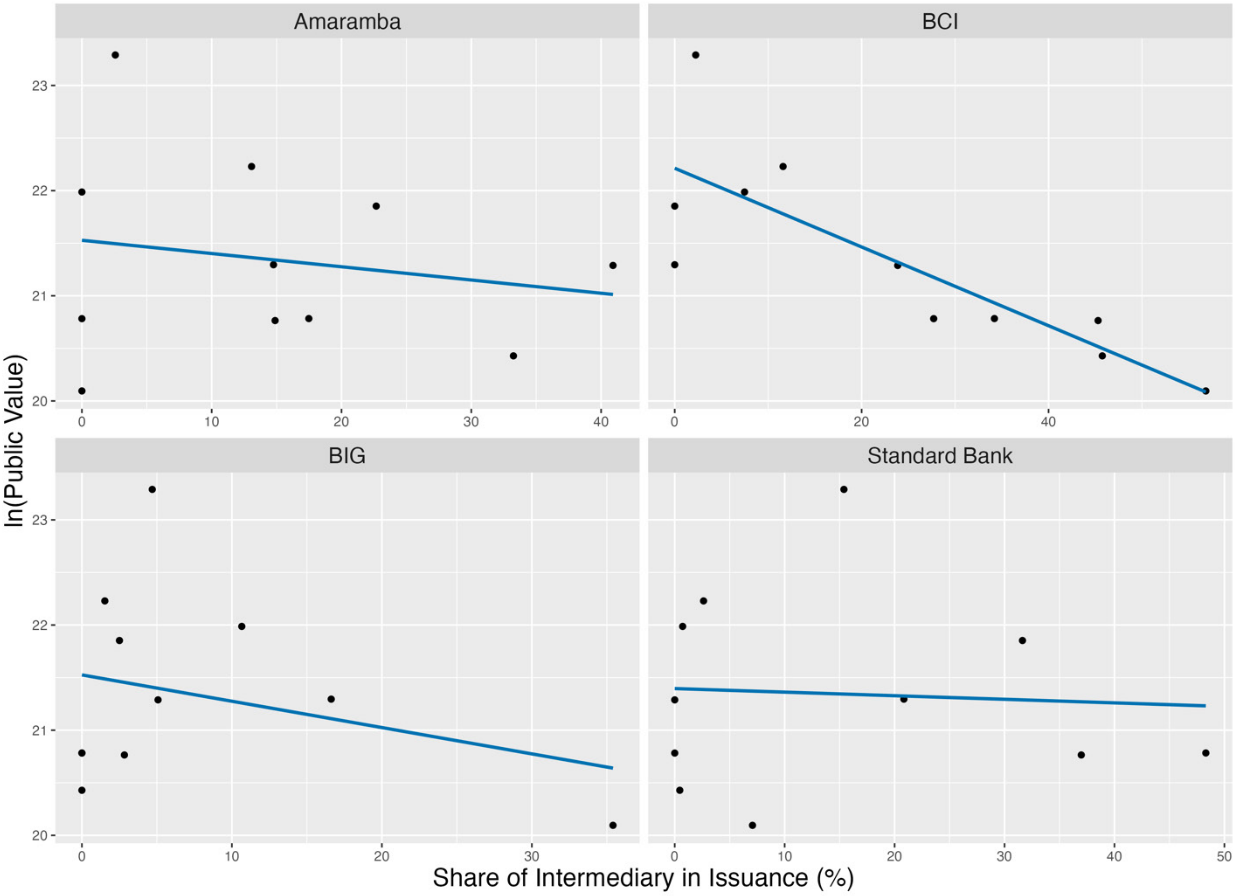

Figure 1 Public Dispersion Under Different Treasury Bond Operators

In short, BCI Bank emerges as the operator with the most decisive negative influence on public dispersion of treasury bonds (compare also Figure 1). The absence of statistically significant impacts from other operators does not rule out their potential benefits from bond issuance through different mechanisms, which are explored in subsequent sections.

3. Relationship between bond operators and variable interest rates

Mozambique's treasury bond market exhibits a nuanced relationship between bond operators and the composition of interest rates. These interest rates typically consist of two parts: a fixed component that remains unchanged throughout the bond's life; and a variable component that adjusts in response to changes in a benchmark interest rate. The reference interest rate for these variable interest adjustments is set by Mozambique's central bank ***(Banco de Moçambique)*** and is known as the MIMO rate ***(Taxa do Mercado Monetário Interbancário de Moçambique)***.[7]

A treasury bond's return is impacted by its interest rate composition. Treasury bonds with a variable component adjust their interest rates in line with MIMO rate fluctuations, while those without are unaffected by changes in the MIMO rate. The presence of a variable interest component in a bond is established at the time of issuance and requires approval by the National Treasury Directorate of the MEF. Variable interest rates tied to the MIMO rate become more appealing to bondholders when they anticipate increases in the reference rate, due to the potential for higher returns. Conversely, if a decrease in the MIMO rate is expected, bondholders may favor fixed rates for their stability amidst market volatility.

Expectations about the future MIMO rate shape the dynamics of Mozambique's treasury bond market. Treasury bond operators are particularly sensitive to interest rate expectations. If the treasury bond operators have insider information regarding the monetary policy of the central bank, bond operators can position themselves to benefit from future increases in interest rates at the expense of state finances. The key to understanding this

7 The MIMO reference rate is the average interest rate measured by the volume of interbank money operation with maturity of one business day (overnight maturity).

lies in the variable component of the treasury bond interest rates, which adjusts with the MIMO reference rate. When bond operators expect a substantial divergence between the issuance interest rate and the future interest rate (as influenced by MIMO rate expectations), there is a stronger incentive for these intermediaries to retain more bonds with variable rates for themselves and limit the quantity distributed to the public. This behavior increases their returns should the MIMO rate climb as anticipated.

The technical details regarding the variable and fixed components for each issuance series are recorded at the Mozambique Stock Exchange (BVM, 2023a). The records show that variable interest rates were used in the bond issuance predominant earlier in the year of 2022 when the reference MIMO rate was 4% lower compared to the year's end.

In 2022, the Monetary Policy Committee ***(Comité de Política Monetária, CPMO)*** of Mozambique's central bank decisively increased the MIMO rate by a cumulative 400 basis points, from 13.25% to 17.25% ***(Banco de Moçambique, 2023)***. This policy aimed to mitigate inflation amid persistent price volatility in energy and food products.[8] Given the substantial additional returns on variable-interest treasury bonds due to the MIMO rate increases in 2022, we examine whether the issuance of treasury bonds with variable components was influenced by the acting bond operator.

The regression analysis presented in column (1) of Table 3 reveals that the involvement of BCI Bank and Standard Bank in the primary bond market is inversely related to the duration of fixed interest rates in treasury bonds.[9] Specifically, the analysis shows that for every 10-percentage point increase in BCI Bank's participation in treasury bond auctions, there is a corresponding reduction of over six and a half months in the duration of the fixed-interest period, which conversely extends the variable interest duration. Similarly, a 10-percentage point rise in Standard Bank's participation is associated with a reduction of approximately three months in the fixed-interest period. Consequently, BCI and Standard Bank were more likely to issue bonds with variable rates as opposed to fixed rates in 2022.

Table 3 Regressions showing how the involvement of treasury bond operators lowers the likelihood of bonds with fixed interest rates.

Dependent variable:	(1) Fixed interest duration *(in months)*	(2) Variable interest deviation *(since bond issuance; in pp)*
Intercept	46.08*** (5.77)	-1.43* (0.69)
BCI Bank	-0.66*** (0.10)	0.093*** (0.016)
Standard Bank	-0.31* (0.15)	0.047** (0.018)
BIG Bank	0.16 (0.28)	0.008 (0.033)
Amaramba Capital Dealer	0.14 (0.21)	0.008 (0.025)
R^2	0.83	0.88

Notes: Significance codes: *** $p < 0.01$; ** $p < 0.05$; * $p < 0.10$. Standard errors are in parentheses.The Ordinary Least Squares (OLS) regression includes the shares of the treasury bonds managed by the operators BCI Bank, Standard Bank, BIG Bank, and Amaramba Capital Dealer as a proportion of the total treasury bonds issued in the respective series.

A greater auction participation by BCI Bank and Standard Bank in 2022 was associated with a pronounced shift towards a variable interest regime, potentially in response to the projected gains from the anticipated rise in interest rates later that year. This shift is also highlighted in Figure 2, which portrays the variations in the fixed interest component when different treasury bond operators are involved, illustrating the shorter duration of fixed interest rates under BCI Bank's involvement. The ability of these operators to potentially influence market outcomes for their benefit, in light of anticipated MIMO rate changes, underscores the need

8 See also the discussion in CIP (2023a) regarding inflationary pressures stemming from public sector wages and government debts.

9 There is no statistically significant evidence that the involvement of the other treasury bond operators in the primary bond market influences the likelihood of variable interest rates.

for increased transparency in treasury bond issuance processes.

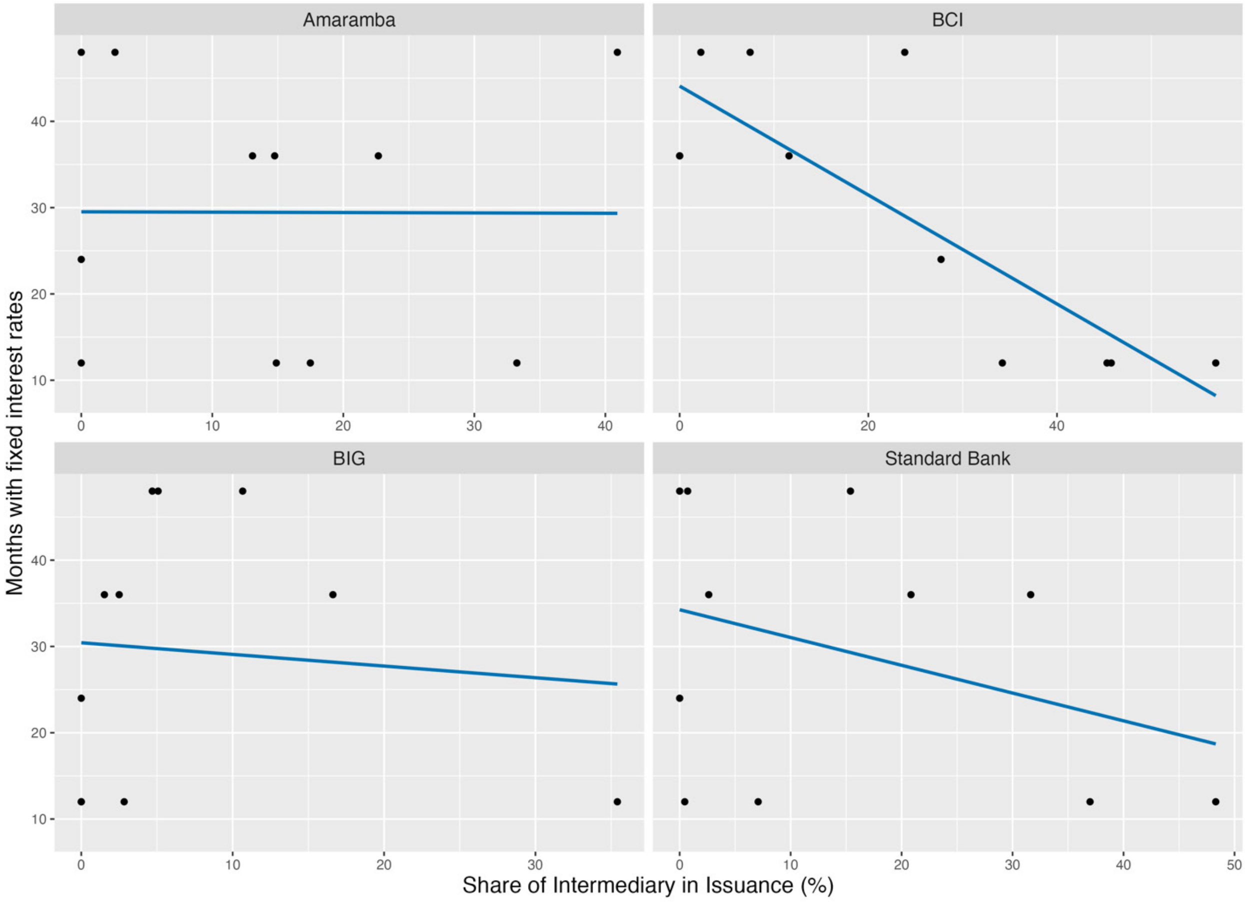

Figure 2 Fixed Interest Component Under Different Treasury Bond Operators

Figure 3 provides a detailed visualization of the interest rate for different treasury bond series of 2022.[10] Treasury bond series 1-4 and series 11 feature variable interest components, whereas the issuance series 5-10 carry only fixed interest rates. The figure shows the MIMO reference rates (illustrated by a green line) alongside the interest rates at the time of the bond issuance (blue line). The figure further displays the updated interest rates for bonds with variable interest components as of October 2023 (black dotted line).[11] Lastly, it tracks the increment in the variable interest rates as of October 2023 relative to the achieved rate at the issuance of the treasury bond in the year 2022 (red line).

10 Information about the realized interest rates at the issuance of the treasury bonds can be accessed at BVM (2023a).

11 The current interest rates of the treasury bonds can be found at BVM (2023b).

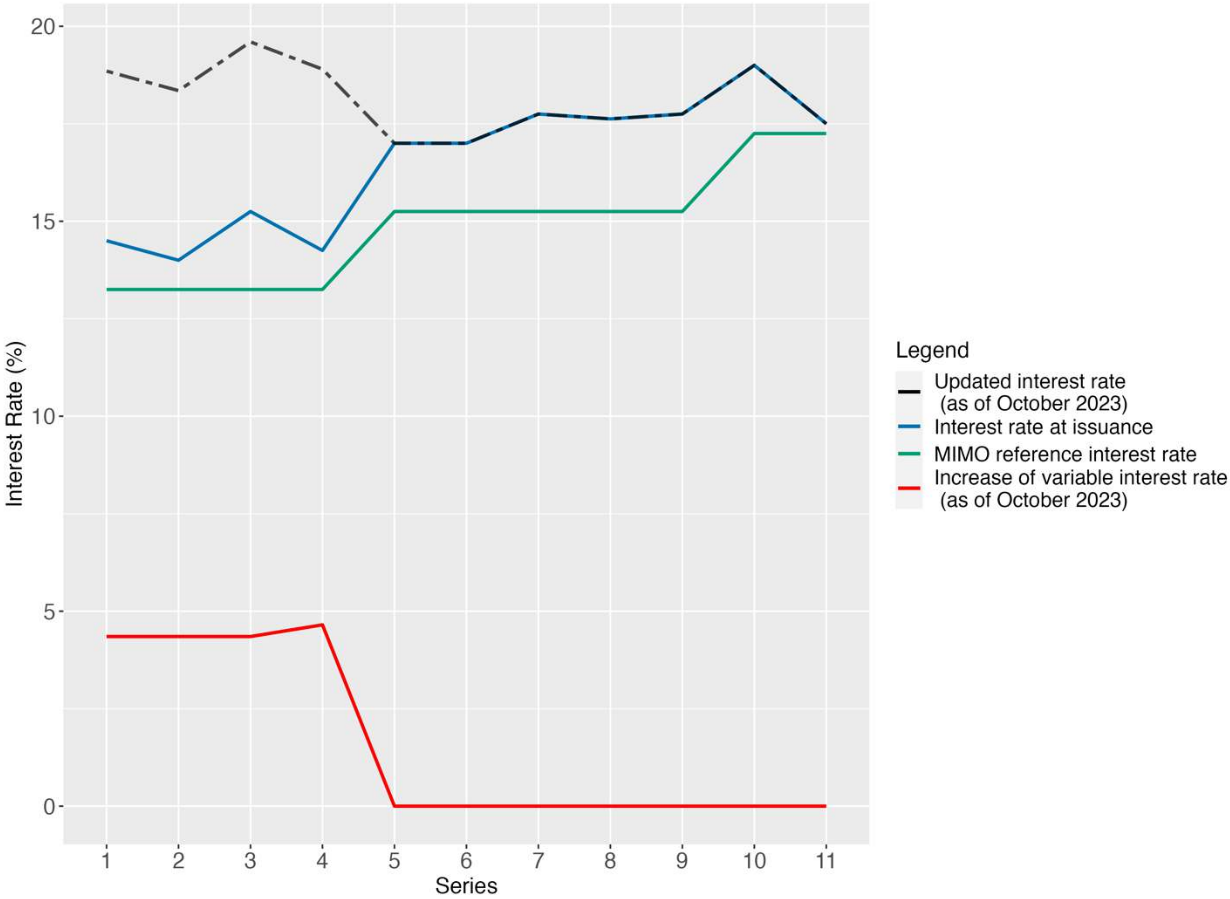

Figure 3 Increase of Variable Interest Rate (as of October 2023) Since Bond Issuance

The regression analysis presented in column (2) of Table 3 sheds light on how the involvement of the treasury bond operators BCI Bank and Standard Bank influences the treasury bond market.For every 10-percentage point increase in BCI Bank's participation in the primary bond market of 2022, there is an associated rise of approximately 0.93 percentage points in the updated bond interest rate as of 2023, when compared to the initial rate set at the bond's issuance in 2022 (attributable to the variable interest component). Correspondingly, a 30-percentage point rise in BCI's share is linked to an approximate 2.8 percentage points increase in variable rates post-issuance, for instance.

In the case of Standard Bank, a 10-percentage point rise in their auction share translates to a subsequent rise of around 0.47 percentage points in the variable interest rate, relative to the initial rate.

This finding is significant as it underscores the influence that major bond operators, such as BCI Bank and Standard Bank, exert on the pricing of government debt. Given the predictable rise in the MIMO reference rate due to inflationary pressures in early 2022, the rationale behind the National Treasury Directorate of the MEF's approval for the issuance of bonds with significant variable interest components remains ambiguous. This pattern suggests a strategic influence of market dynamics by treasury bond operators, which in turn affects the government's borrowing costs.

> ***The issuance of treasury bonds with variable interest rates, amidst anticipated hikes in the MIMO reference rates in early 2022, strategically advantaged the bond operator BCI Bank. With the Ministry of Economics and Finance's approval, this move positioned BCI Bank to benefit from expected interest rate increases later in the year. Conversely, in the latter half of 2022, when interest rates were already elevated, there was no preference for issuing treasury bonds with variable interest rates over those with fixed rates.***

The next section will quantify the fiscal impact of the observed increases in variable interest rates of treasury bonds.

4. Fiscal Consequences of Issuing Treasury Bonds with Variable Interest Rates in 2022

The gap between the initial interest rates at the time of issuing treasury bonds in 2022 and the applicable interest rates as of October 2023 has led to significant additional interest payments, owing to the bonds' variable interest components. Our analysis, incorporating compound interest over the variable lifespan of the bonds (ranging from 6 to 14 semesters), indicates a significant financial liability on the state.

This fiscal burden is directly linked to increments in variable interest rates. Regression results presented in Table 4 demonstrate the relationship between the involvement of treasury bond operators and the subsequent fiscal costs.

It indicates that a 10-percentage point increase in BCI Bank's involvement in a bond series is associated with an increase in the state's financial obligations due to variable interest rate adjustments of this bond series of approximately 78.7 million MZN. Similarly, a 10-percentage point increase in Standard Bank's involvement in a bond series corresponds to an increase in the state's financial obligations of about 70.4 million MZN. These figures underscore the direct link between the involvement of treasury bond operators in the bond market and the resulting financial responsibilities imposed on the state due to fluctuating interest rates.

Table 4 Regression showing the relationship between treasury bond operators and fiscal burden

Dependent variable:	Fiscal burden *(in MZN)*
Intercept	-154,366,389*
	(65,195,347)
BCI Bank	7,872,850***
	(1,520,648)
Standard Bank	7,042,238***
	(1,735,124)
BIG Bank	4,098,899
	(3,190,195)
Amaramba Capital Dealer	-1,204,322
	(2,364,598)
R^2	0.90

Notes: Significance codes: *** $p < 0.01$; ** $p < 0.05$; * $p < 0.10$. Standard errors are in parentheses. The Ordinary Least Squares (OLS) regression includes the shares of the treasury bonds managed by the operators BCI Bank, Standard Bank, BIG Bank, and Amaramba Capital Dealer as a proportion of the total treasury bonds issued in the respective series.

Figure 4 showcases the distribution of beneficiaries from the increase in variable interest rates, emphasizing the high benefits enjoyed by treasury bond operators relative to the public. Treasury bond operators obtain a disproportionate share of the extra interest payments, amounting to 63%, compared to only 37% received by public participants. The extra interest payments of the treasury bond operators amount to 1,013.4 million MZN, while the extra interest payments to public participants are 583.9 million MZN. This discrepancy is striking, especially considering that the public's average participation in bond auctions was over 62% (compare Table 1). Hence, despite holding most of the treasury bonds, the public has seen fewer benefits from the rising interest rates than the operators.

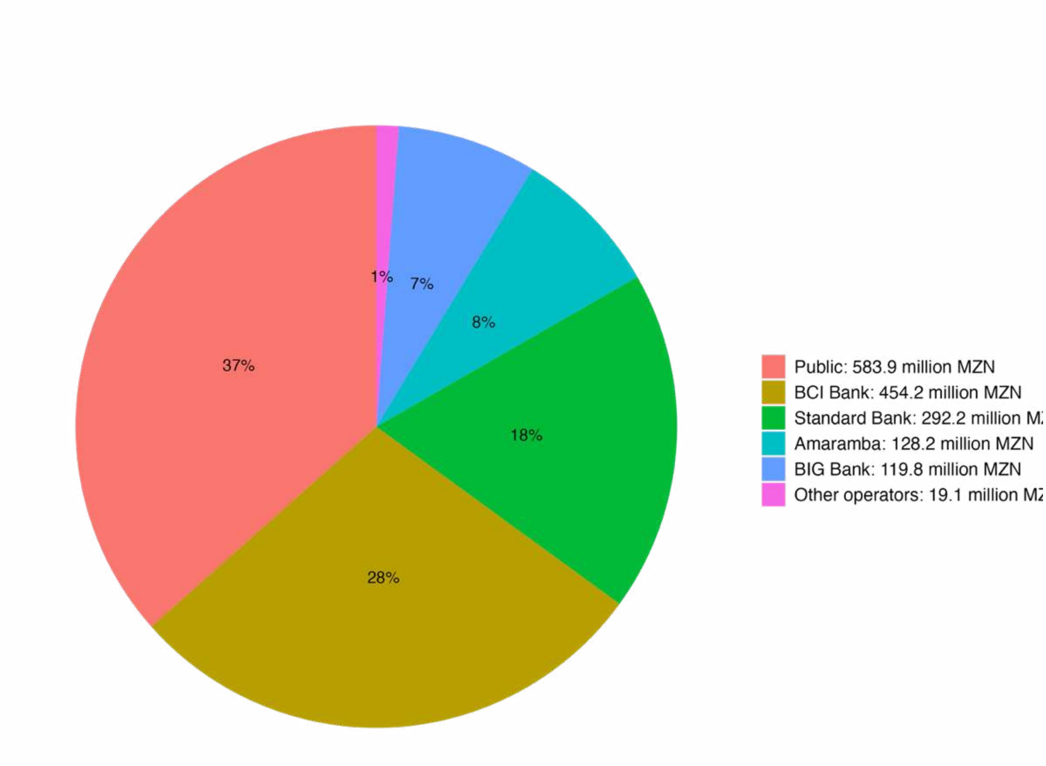

Figure 4 Beneficiaries of higher variable interest rates on treasury bonds

BCI Bank and Standard Bank obtain the highest share of additional interest payments resulting from the increase in the variable rates, with BCI Bank gaining an extra 454.2 million MZN and Standard Bank 292.2 million MZN. When considering the share of treasury bonds managed by BCI Bank, these interest gains are particularly striking. BCI Bank has only obtained 13.7% of the treasury bonds in the year 2022, yet it has received 28.4% of all extra interest payments – which is more than double the expected amount, given its auction participation.

The fiscal burden resulting from the variable interest rates of treasury bonds is approximately 1.6 billion MZN. Despite holding most treasury bonds, the public has benefited less from the increases in variable interest rates compared to treasury bond operators. BCI Bank has managed less than 14% of the treasury bonds in 2022 but received over 28% of the additional interest payments.

This lopsided distribution underscores the treasury bond operators' vested interest, particularly that of BCI Bank, in the uptick of the MIMO reference rate. The elevated MIMO rate directly translated into increased profits from bonds with variable interest rates. As the MIMO rate increased, so did their gains from the treasury bonds. Given these significant financial implications, there is an urgent need for increased transparency and stringent oversight in the bond issuance process—to safeguard the state's fiscal health against such disproportional impacts.

5. Conclusion

This study casts a spotlight on the roles of specialized treasury bond operators in Mozambique. It reveals how treasury operators leverage strategic auction participation and bond distribution for substantial private financial gains. This behavior not only diverges from the state's objectives, including ensuring a public dispersion of a portion of treasury bonds, but has also imposed significant fiscal burdens. Increases in variable interest rates of bonds have cost the state about 1.6 billion MZN, with BCI Bank reaping additional gains of 454 million MZN and Standard Bank gaining 292 million MZN. The findings underscore the need for critical changes in the treasury bond market's governance.

The connection between BCI Bank's strategic presence in auctions and the preferential issuance of variable rate bonds during periods of rising MIMO rates raise questions about the potential misuse of insider information with far-reaching fiscal implications. The political ties of BCI Bank, particularly the appointment of former Prime Minister Carlos Agostinho do Rosário to the role of President of the Board of Directors (PCA) at BCI Bank in early 2023 is cast in a new light. This appointment reflects a concerning trend of public sector capture by private interests, with frequent transitions of ex-government officials to top positions in the commercial banking sector (CIP, 2023b).

The fiscal implications call for a reassessment of the treasury bond market's structure and oversight to ensure it effectively serves the public and the state's interests.

6. Recommendations

Ensure Compliance with Public Dispersion Mandates:

It is essential to mandate and enforce strict adherence to the rule requiring that at least 30% of treasury bonds be publicly dispersed. This enforcement should be carried out by an independent regulatory body to strengthen market integrity and enhance public trust.

Enhance Transparency and Accountability in Auction Processes:

The process of treasury bond auctions should be made more transparent and this information should be clearly communicated to all market participants. This includes providing details on the duration of the variable component of bonds and the circumstances under which variable rates are chosen over fixed rates.

Strengthen Accountability and Integrity in Bond Issuance Approval:

The National Treasury Directorate must maintain accountability and integrity in the treasury bond issuance process by establishing clear criteria and providing thorough justifications for the approval of bond terms. This is particularly important for bonds with variable interest components. The Ministry of Economics and Finance should ensure that these decisions are made after a full assessment of the potential fiscal impact and are in the broader interest of the state's financial stability. Regular audits and the public disclosure of the approval process for treasury bonds should be mandated to ensure transparency, justification, and alignment with national economic goals.

Scrutinize Political Appointments:

There must be a careful examination of conflicts of interest in political appointments within treasury bond operators. This scrutiny should ensure transparency and assess the implications for public sector integrity and private sector influence.

Protect State Finances:

Robust oversight procedures are crucial to safeguard the fiscal implications of treasury bond sales. These procedures should ensure transparency and protect the state's financial interests from any improper influence.

Implementing these recommendations will enable Mozambique to establish a more equitable and transparent treasury bond marketplace. This will protect the nation's fiscal health and strengthen public confidence in its financial institutions.

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