PUBLIC FINANCES

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Edition N°27 2020 – October- Free Distribuition

DEBT CONTRACTED WITH CHINA AFFECTS THE AVAILABILITY OF BUDGET RESOURCES NEEDED TO FIGHT COVID-19

China is the biggest beneficiary from external debt service but there is no publicly available information to justify the size of the debt

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1. INTRODUCTION

The application of less stringent criteria for lending by China helped it to become a prominent player in offering a range of financing options to Mozambique after the hidden debt crisis was triggered in 2016, with the countries of the Paris Club practically withholding funds to Mozambique.

However, this increase of debt with China did not start in 2016, although it worsened after that year. For example, Mozambique's debt to China in 2010 only totalled USD 45 million but started to grow exponentially in the following years (in 2011 alone it grew by 415.8%). In December 2018, debt to China peaked at USD 2.15 billion, an increase of almost 50 times compared to 2010. In the first quarter of 2020, the stock of debt stood at USD 2.01 billion, **representing 20.2% of Mozambique's total external debt and 13.2% of 2019 GDP.**

It turns out that there is no satisfactory public information on the loans contracted (feasibility studies) to justify the size of the debt with China, due to inconsistencies and the lack of transparency in budget documents, as detailed below. China is currently the largest bilateral creditor and also the largest beneficiary of the external debt service included in the government budgets. In the first quarter of 2020, of the USD 44.52 million paid in bilateral external amortization, about 82.6% was paid to China, which leads to the conclusion that these debts affect the availability of government budget resources to face the challenges posed by the COVID-19 pandemic.

The fact is that, currently, in the context of COVID-19, the investment options taken in the past with China's resources, despite having previously contributed to the gross domestic product, have had little impact for the country. That is why now large social investments are still needed to face the various challenges imposed by the pandemic.

2. ANALYSIS

2.1. Debt with China vs. Hidden Debts: Possible risks

Since before 2010, the Government of Mozambique has been contracting debts with China. However, starting in 2016 it was at an accelerated pace, specifically with the China Export-Import Bank (CEIB). It is worth emphasizing that one of the reasons why debts with China continued to grow after 2016, the year in which the hidden debts were triggered, was because the Paris Club member countries practically refused to give new credits to Mozambique.

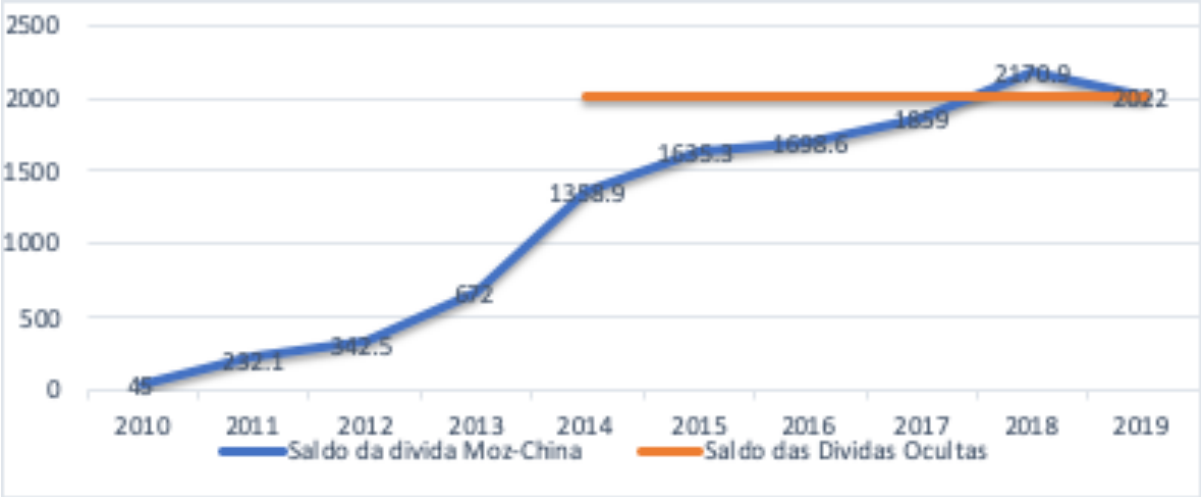
It turns out that to the detriment of greater investments in the social sectors, the resources from these debts were used to finance investment projects concerning large-scale infrastructures, which, by the way, were mostly commercial projects or related to government buildings.

It is important to emphasize that studies[1] show that public investments in large infrastructure projects are those that present high levels of payment of bribes to top public officials and government elites.

1 Fazekas, M & Toth, B. (2016), Infrastructure for Whom? Corruption Risks in Infrastructure Provision Across Europe, www.researchgate.net

One element that certainly influenced the growing debt to China is that the country applies less stringent criteria for granting new loans. According to a study by the influential Brookings Institute in the United States on financial aid from China, "... recipient nations generally suffer from low credit ratings and have great difficulty obtaining financing on the international financial market; China makes financing relatively available;" [2] which is because, citing the aforementioned article, China's foreign aid policy for Africa is largely geared towards strengthening bilateral and political relations, while aspects related to economic benefits linked to projects are secondary aspects in decision making.

Graph 1. Debt with China vs. "Hidden" Debts



Sources: Relatório e Parecer da Conta Geral do Estado (RPCGE) do TA, Chapter on public debt, various years.

A fact that draws attention is that the stock of Mozambique's debt to China in 2018 and 2019 is very close to the amount of USD 2.01 billion of the "hidden debts", which triggered the financial crisis experienced in Mozambique since 2016, a fact that puts China's debts at a level of fiscal risk similar to that of the hidden debts. Therefore, such a high level of debt with a single country presents significant fiscal risks, particularly with regard to the capacity of the government budget to meet the needs for debt service, both regarding interest and amortization. This high level exposes Mozambique to the risk of falling into financial dependence with China, which could put enormous pressure on the Government - a possible **debt trap** with China.

Given this high level of indebtedness to China, it is alarming that information regarding the projects that were actually carried out is not available in government documents accessible to the public. This situation calls into question the Government's transparency in the management of public funds.

2 https://www.brookings.edu/opinions/chinas-aid-to-africa-monster-or-messiah/, page 3.

2.2. INCONSISTENCY OF DATA AND LACK OF TRANSPARENCY

In an attempt to obtain detailed information about the projects that were actually financed with Chinese resources, CIP sent a letter to the Ministry of Economy and Finance dated 6 August 2020. However, until the date of publication, CIP had not received any response from this institution, more than the 21 days established by Law[3] as a deadline for the provision of information of interest to public and private institutions by the administrative authorities.

As it turns out, given the accessible sources, namely the (1) Public Debt Reports[4] and (2) Report and Opinion on the General Government Financial Statements (RPCGE) produced by the Administrative Court (TA)[5] (see Annex 1), there is not always agreement between the data .

Below are the projects presented in the RPCGE. However, it is not known whether in the feasibility studies (not available to the public) revenues were projected for these projects to ensure repayment of loans.

Box 1. External loans for projects identified in Government documents

2013: Rehabilitation of the N6 road between Beira and Machipanda (USD 416.5 million)[6]; Construction of the office for the President (USD 71.9 million).

2014: Rehabilitation of the N6 road between Beira and Machipanda - **being registered** again, this time with an amount of USD 312.4 million.

Rehabilitation of the fishing port of Beira, in the amount of USD 120 million.

2015: Rehabilitation of the fishing port of Beira (USD 119.98 million), **being registered** again

2016: Project not specified, disbursements in the amount of USD 185 million.

2017: Project to digitalize the analogue television signal (USD 156 million); non-concessional credit (the only one identified as such).

2018: Increase of the stock of debt with China by USD 311.9 million - not known for which projects.

Sources: RPCGE, Chapter on public debt, various years.

As can be seen from the data above, there are several inconsistencies and questionable aspects regarding the utilization of government loans obtained from China.

There are important gaps regarding the specification of the projects, with repetition of investment projects in different years, which are being interpreted as different loans for the same project. However, this is not normal practice, because in negotiations between governments a project is usually defined and a single loan is obtained to fully finance the work in question. Although disbursements can be made in tranches, the source of these funds is normally a single loan.

Thus, it is suspected that part of the two loans described for the "Rehabilitation of the N6 Road between Beira and Machipanda", totalling USD 728.9 million, may either represent duplication of

3 Law n.º 34/2014 – Law on the Right to Information (Article 16).
4 *Relatório Anual da Dívida Pública*, various years, published on the MEF website.
5 *Relatório e Parecer da Conta Geral do Estado* (RPCGE) of the TA, various years, published on the TA website.
6 In the 2013 CGE, an onlending agreement for Maputo Sul of 7,058.9 million meticais appears, equivalent to USD 236.6 million according to the exchange rate presented in the RPCGE 2013 (of 29.84 MZN / USD). Not only is this figure inconsistent with the dollar amounts of the RPCGE 2013, but the beneficiary (Maputo Sul) does not seem to have anything to do with the N6 road (to Beira).

registration or erroneous identification of a loan described[7]. This conclusion is based on information that emerges from the analysis of the onlending of loans - a process through which the Government transfers counterparts in meticais of loans obtained in foreign currency to public companies[8].

Box 2. Loans through Onlending Agreements to Empresa Maputo Sul (EMS; extinct) and to the National Road Administration (ANE) (in millions)[9]

YEAR	to EMS		to ANE	
	MZN	USD	MZN	USD
2013:[10]	7.058,9	236.6	0	0
2014:	13.115.9	416.4	0	0
2015:	0	0	0	0
2016:	0	0	4.447,6	70.5
2017:	10.014.0	156.7	4.868.9	76.2
2018:	6.835,8	112.2	625,0	10.3
TOTAL		**919.8**		**157.0**

Sources: CGE, various years.

In relation to Maputo Sul, at no time is there an identification of an external loan, or onlending of a loan to the project company, or even the dissemination of feasibility studies held by the extinct Maputo Sul[11], regarding specifically the Maputo-Catembe Bridge, road for Bela Vista and Ring Road financed through onlending agreements, which further aggravates the fact that the final purpose of these funds is not specified.

Concerns arise about the inconsistency of the amounts presented in government documents, such as in 2017, when there is a difference of the stock of debt with China of USD 164.5 million between the figures of the RPCGE (USD 1,859 million) and the Annual Debt Report of 2019 (USD 2,023.5 million), which requires explanation. These factors again call into question the Government's transparency with regard to the management of public funds.

The graph below shows some evidence of the differences between the amounts published with respect to a change in the stock of debt with China and the amount of financing identified for the projects. The documents made available by the Government show in some years a change in the stock of debt higher than that of identified signed projects (at that time constituting new debt) and vice versa, which exposes the lack of transparency in the Government's financial transactions with China.

7 http://opais.sapo.mz/concluida-obra-que-liga-beira-a-fronteira-de-machipanda, public works budgeted at USD 410 million.

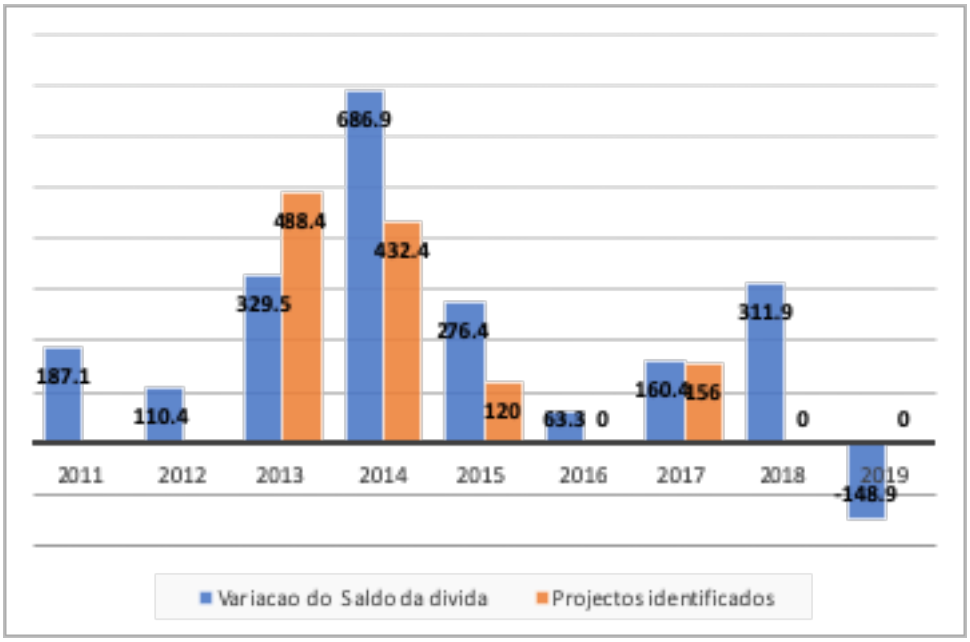
8 The CGE glossary defines Onlending Agreements (*Acordos de Retrocessão*) as an external credit or donation contracted or granted by or to the Government and passed on to the Government Business Sector and / or public entities for investment in areas of public interest, which must subsequently be repaid to the Government.

9 CGE, various years.

10 In the 2013 CGE, an onlending agreement for Maputo Sul of 7,058.9 million meticais appears, equivalent to USD 236.6 million according to the exchange rate presented in the RPCGE 2013 (of 29.84 MZN / USD). Not only is this figure inconsistent with the dollar amounts of the RPCGE 2013, but the beneficiary (Maputo Sul) does not seem to have anything to do with the N6 road (to Beira).

11 http://opais.sapo.mz/governo-extingue-empresa-maputo-sul

Graph 2. Change in the Reported Stock of Debt vs. Identified Project Financing



Sources: RPCGE, Chapter on public debt, various years.

The RPCGE and debt reports show amortization payments without providing details as to the projects for which they apply. Supposedly, these amortizations are in accordance with the terms of the loans, with the only terms indicated in the RPCGE being: 20-year maturity; 7-year grace period; and interest rate, between 1.0% to 2%.

What is confusing is that even though having a grace period of 7 years, in 2018 Mozambique has already made payments of USD 83.94 million and in 2019 of USD 112.93 million, when the terms of the publicly available loans would suggest amounts that would be much lower. As there is also not enough detail presented in the government documents, it is not clear which projects are affected.

According to the available figures, in 2011[12] and 2012[13] the stock of debt with China was USD 232.1 million and 342.5 million, respectively. Therefore, considering a maturity of 20 years and 7 years of grace period, as indicated in the RPCGEs, in the 8th year the payment that should have been made would be USD 17.9 million in 2018 and 26.3 million in 2019[14] - much less than the amounts paid shown in annex 1 of the 2019 Debt Report (page 62).

Table 1: Payments made versus expected payments (in millions of dollars)

Year	Payments made	Payments expected	Difference
2018	83,94	17,9	66,04
2019	112,93	26,3	86,63

12 Debt with a grace period expiring in 2018.
13 Debt with a grace period expiring in 2019.
14 Calculation for the **2018 payment**: USD 232.1 million divided by 13 years of remaining maturity = USD 17.85 million annual amortizations. Calculation for the **2019 payment**: USD 342.5 million divided by 13 years of remaining maturity = USD 26.35 million annual amortizations.

This difference, a total of 152.67 million dollars over the two years, exposes once again a lack of transparency, because it implies either that there were projects that had not been included in the documents being made available by the Government, or that the terms of the loans were not as indicated in the documents, which now, however, are becoming a burden on the fiscal accounts.

Box 3. Increase in debt identified by projects compared to the aggregate increase in debt with China

In 2013, projects were signed resulting in an increase in debt of USD 488.4 million. But the debt that year, according to the 2013 RPCGE, only increased by USD 329.5 million.

In 2014, projects were signed resulting in an increase in debt of USD 686.9 million according to the 2014 RPCGE, but only USD 432.4 million are identified as specific projects. It is not known what the remaining debt increase of USD 255 million refers to!

In 2015, projects were signed resulting in an increase in debt of USD 119.98 million. However, according to the 2015 RPCGE, the debt increase was USD 276.4 million. This additional debt increase of USD 156.4 million in 2015 remains unexplained!

In 2016 the debt with China increases by USD 63.3 million, but there are no details regarding projects in the 2016 RPCGE. In addition, chapter 11 of the RPCGE shows disbursements of USD 185 million, but without indicating what the project is. It is not known how to interpret these figures.

In 2017, projects were signed resulting in an increase in debt of USD 156 million. This year there is also a difference of USD 164.5 million in the debt balance between the RPCGE figures (USD 1,859 million) and the 2019 Debt Report (USD 2,023.5 million for 2017), which needs explanation.

In 2018, the debt aggregate with China increases by USD 311.9 million - it is not known for which projects.

In 2019 the debt aggregate with China decreases by USD 148.9 million - but it is not known which projects were reimbursed.

International experience shows that investments in large infrastructure projects only generate significant revenues for a Government after a long time - and sometimes they do not generate any. The payment of these loans is a burden to the government budget, which implies that these payments need to be financed by resources taken from other sectors, for example, from outlays needed to strengthen the country's capacity in the face of the challenges imposed by COVID-19.

Therefore, the Government, for the sake of transparency, should make public the feasibility studies regarding these investments in order to show that they can generate enough revenue to meet their respective debt service.

Already in 2014 the IMF warned the Government of the risk of contracting non-concessional loans[15]: "Using external non-concessional loans can help finance the vast infrastructure needs, but these loans must be based on investments with clear priorities, as they carry significant risks. The level of public debt in Mozambique has increased[16], and it is necessary to ensure that loans finance priority public investment projects, monitored and evaluated in a transparent manner in order to guarantee a cost-benefit ratio, maximize investment efficiency and preserve debt sustainability. In this context, transparency and adherence to due process in the planning, selection and financing of investments must be reinforced to increase the efficiency of such investments, as well as to continue to attract support from donors and other external financing. "

2.3. FISCAL RISK OF THE CHINESE DEBT

As mentioned, Mozambique's debt to China at the end of 2019 represented around 20% of the country's total external debt, which represents a very high fiscal risk.

With respect to the cost and risk factors associated with loans, in relation to China, the currency risk (related to changes in exchange rates and their impact on the cost of debt service and debt stocks) and the weighted average interest rate (indicator of the weighted cost of the debt portfolio) stand out.

a) Foreign exchange risk: The foreign exchange risk of the debt with China is high given that all loans in that debt portfolio are denominated in USD, which makes the debt particularly sensitive to changes in the exchange rate. It is important to note that exchange rate depreciation can very quickly increase debt service costs, in which case the budget would not have allocated sufficient resources for its realization in a given fiscal year. The fact that the metical is depreciating (already 16.2% from January to September 30, 2020) implies increases in the debt service that the Government has to incorporate into its budget, so as not to fall into default. Such a failure to pay would lead, within international schemes, to the capitalization of unpaid interest, i.e., adding such interest to the stock of public debt. That would automatically lead to an increase in future actual obligations and, consequently, to an increase in fiscal risk.

b) Weighted Average Interest Rate: In the debt portfolio with China, at the end of 2019, it appears that the weighted average interest rate, based on information available in government documents, is above 1.5%, which puts loans in the category of non-concessional loans.

As mentioned earlier, onlending agreements are an integral part of managing a project loan, so they are also a potential source of fiscal risk due to the higher probability of not being reimbursed by the beneficiary companies because of their deficient financial performance and their resulting lack of liquidity. In 2018, 13,071.0 million meticais were disbursed in new onlending agreements, equivalent to 1.5% of GDP. In terms of portfolio, the extinct Maputo Sul is the company with the highest concentration of the stock of the agreements, at 4.6% of GDP. In 2018 Maputo Sul received additional loans equivalent to 0.8% of GDP, without yet having made any repayment.

15 IMF Country Report No. 14/20, First Review under the Policy Support Instrument, January 2014.
16 Thus, the debt service (interest and amortizations) increased from 21,803 million meticais during January to June 2019 to 22,227 million meticais in the same period of 2020, an increase of 1.9%.

In case of noncompliance...

As already mentioned, China is Mozambique's largest individual external creditor. However, if the debt is not repaid by the Government or restructured, China may seek to confiscate some assets from its creditors, as it did with a port in Sri Lanka in 2018 and as is suggested might have happened in the case of the port of Mombasa (Kenya) [17].

In 2019, the debt issue with China was widely discussed in some African countries[18]. Analysts said that as part of its multi-billion dollar Belt and Road Initiative (BRI), the Chinese government provides loans and debts to underdeveloped countries to finance infrastructure projects. However, if these countries fail to pay these amounts, China would confiscate their assets. So it is a valid question to ask that if the infrastructures financed by China in Mozambique are not profitable enough to cover their debt services, which assets of the Mozambican nation would have to be pledged?

In the medium term, this policy by China will only increase the dependence of the poorest countries on China, since it currently accounts for around 80% of the bilateral debt of southern and eastern Africa[19]. Nonetheless, with the recent announcement of debt forgiveness by the G-20 group[20], it is hoped that the fiscal space created will help in tackling the COVID-19 pandemic[21]. However, within Mozambique little or nothing has been disclosed regarding this initiative. In the document "State of Play of Commitments within the scope of COVID-19", presented by the MEF on August 25, 2020, there is no mention of China. Therefore, the Government should consider the need to pressure China in order to reschedule that debt, within the context of the recent debt forgiveness offered by the G-20 Group.

17 In recent years, the media has suggested that the port of Mombasa (Kenya) could become Chinese property because of the unpaid Kenyan debt, having been used as collateral for the billions borrowed from China to build the Mombasa - Nairobi railway line in 2014 (the government has refuted such claims) - www.euromoney.com, "China's Belt and Road Initiative: Can Africa escape a debt trap?", Virginia Furness, June 4, 2020.

18 How China's debt trap diplomacy works and what it means, https://www.trtworld.com/africa/how-china-s-debt-trap-diplomacy-works-and-what-it-means-32133, consulted on 22/07/2020 at 23h07.

19 https://jornaleconomico.sapo.pt/noticias/china-e-maior-credor-de-paises-africanos-e-tem-papel-decisivo-na-divida-586695

20 On April 15, 2020, the G-20 Group (the 20 most important economies in the world, including China) decided to offer a relief to the payment of amortizations on the official debt until the end of 2020. Also, the Group of Rhodium Consultants (https://rhg.com/research-topic/china/) relays that Mozambique obtained a cancellation from China of USD 34 million in 2017 and a rescheduling in 2018 (no further details were provided).

21 https://www.diarioeconomico.co.mz/mercados/analise/alivio-da-divida-a-china-ajuda-mocambique-fitch-ratings/ e https://www.youtube.com/watch?reload=9&v=bJNSKp1i564

CONCLUSIONS AND RECOMMENDATIONS

The analyses undertaken in this note clearly point to the need for the Government to present a consistent, real, comprehensive and accessible framework to Mozambicans with respect to the debt to China, among others.

Given the size of the stock of debt with China at the end of 2019 of USD 2.02 billion (a figure frighteningly similar to the hidden debts, see Graph 1), the Government should clarify to Mozambicans how it will repay this debt and present the projects in detail that constitute this debt. This is from a perspective where the 7 years of grace commonly offered by the Chinese government for its loans with Mozambique are coming to an end.

Debt service to China has the potential of creating a large diversion of funds needed for social sectors, especially in the current context of the COVID-19 pandemic. Showing transparency regarding these loans is urgent at a time when Mozambicans have to face the new coronavirus, which requires the Government to use the few resources available in order to protect the health of Mozambicans and their well-being as much as possible.

The coming months will be very difficult for public finances in Mozambique. The fact that the Metical is depreciating (already 16.2% from January to 30 September 2020) implies increases in the debt service that the Government has to incorporate into its budget, so as not to fall into default. To protect the social sectors from a diversion of funds for payments on a debt tainted by a lack of transparency, the Government should consider the need to pressure China to reschedule that debt, within the context of debt forgiveness offered recently by the G-20 Group.

Yet even so, can Mozambique escape a possible debt trap with China?

ANNEX 1. DATA ON PROJECTS WITH CHINA MADE AVAILABLE BY THE GOVERNMENT TO THE PUBLIC

The Annual Public Debt Report (Relatório Anual da Dívida Pública) contains details by creditor, and therefore include China, but they do not include information on specific projects relating to financial transactions (i.e., interest and amortization) with China, representing a weakness of that document, which, in general, has rich content.

The Report and Opinion on the General Government Financial Statement (Relatório e Parecer da Conta Geral do Estado, RPCGE) by the Administrative Court (Tribunal Administrativo, TA). Among the tables presented in the Public Debt chapter of the RPCGE are details on disbursements for specific projects. However, this information is not presented consistently, and therefore some years lack this information.

This note also took into account the other phase, namely, the onlending of funds received in foreign currency by the National Treasury Directorate to the company with government participation that is responsible for carrying out the work.

Therefore, from a methodological point of view, project execution has two main stages:

1st - Contracting of the loan - according to the international principles of good management, the total debt contracted must be recorded in the stock of external debt, that is, regardless of whether it has been disbursed or not. This logic resides in the fact that when signing a new loan, the Government enters into a commitment with the country that gives the loan.

2nd - Use of a loan - As can be expected, disbursements follow a set schedule for each project. In implementing this calendar, the funds channelled to government companies give rise to an "onlending" of the loan: the Government transfers a pre-defined amount to the relevant public company. Importantly, such resources should be registered as onlent resources for projects executed by government-owned companies.

China's loans all appear to be in USD and have a 20-year maturity, with a 7-year grace period. Interest rates fluctuate between 1.0% and 2.0%. This last figure (2.0%) is considered "non-concessional"[22]. However, it is not clear whether loans given at 1.5% and 1.0% before 2015 are also "non-concessional".

22 The degree of concessionality of a loan is measured by its "grant element". The grant element is defined as the difference between the nominal value of the loan and the sum of the discounted future debt service payments to be made by the borrower (present value), expressed as a percentage of the nominal value of the loan. Whenever the interest rate charged for a loan is less than the discount rate (fixed by the IMF at 5%), the present value of the debt is less than its nominal value, with the difference reflecting the concession element (positive) of the loan. This difference must be above 35% for the loan to be considered concessional.

ANNEX 2. Synopsis of the OMR Publication, Observatório Rural No. 38, "How much does the Catembe Bridge cost?", Yara Nova and João Mosca, June 2018.

As the Maputo - Catembe Bridge, financed by China, is one of the best known and most recent infrastructure investments made by the Government, a study by OMR is reproduced in this annex.

The construction cost of the bridge is estimated at around USD 725 million[23]. The project includes the road link between Catembe and Ponta d'Ouro, whose initial cost was USD 315 million. It is considered the longest suspension bridge on the African continent (AM Intelligence 1142, of 19 April 2018). The project was financed with 85% by CEIB, 10% by a soft loan from the same bank; the remaining 5% was financed by the government budget.

The project was conceived in 2012, following the launch of an international competition. In a first phase, the project was expected to be financed by a credit line granted by the Portuguese Government. However, the financial crisis in Portugal made the credit line unfeasible. The Chinese Government then agreed to participate in the financing of the project, having designated the China Road and Bridge Corporation (CRBC) as contractor. Unofficial sources indicate that the proposal of a Portuguese company had been around USD 350 million, less than half the amount that was assigned to the Chinese construction company.

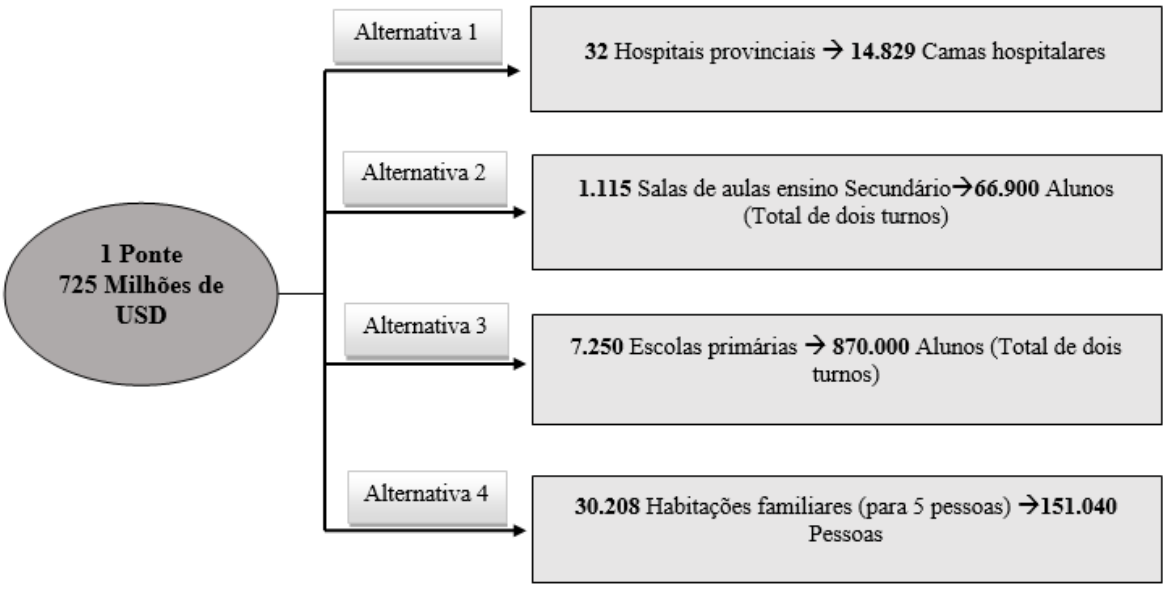
The selection of public (as well as private) investment projects, including maintenance and operating costs, should assume the existence of economic and financial feasibility studies and the assessment of social and environmental costs. These studies are either not accessible to the public or they do not exist. In addition to the studies of the individual projects, the opportunity costs must be analysed, that is, which other investments are not made due to the option for a given project. Due to the scarcity of resources, public choices necessarily respond to the political interests (motivations) of the Government.

In recent presidential mandates, there has been an intensification of large public investments in infrastructure expressed as fundamental to economic development and the well-being of citizens. In addition to the Maputo-Catembe bridge, other projects stand out: the Maputo ring road, valued at USD 315 million, the Maputo and Nacala airports, the latter valued at USD 216 million, the Armando Emílio Guebuza bridge over the Zambezi river with at a cost of 76 million euros, the Pemba Logistics Base valued at 150 million dollars in its first phase, the National Stadium of Zimpeto, among others, as well as, for example, public buildings. It is known that there were financial slippages, that is, the final investment was substantially higher than expected.

These investments would contribute to the increase in public debt and external debt, and the country is currently in default of its international financial commitments. Some of the investments mentioned above are difficult to understand, among others, the Nacala airport and some public buildings. Countries like Mozambique, whose objectives should primarily be to eradicate poverty and meet the basic needs of the population, should not prioritize investments of dubious economic and financial viability.

23 According to RPCGE documents, the amount appears to be USD 728.9 million.

Figure 1. Analysis of the opportunity cost of the Maputo – Catembe Bridge



Source: Prepared by the author based on interviews with a civil construction contractor.

Note: The data obtained was calculated based on budgets provided by the company interviewed.

The construction of the bridge involved the resettlement and compensation of people - a total of 899 families - and informal markets, both on the Maputo and Catembe sides. Due to a lack of funds from the Maputo Sul Development Company, responsible for the execution of this process, the compensation has been paid by the Chinese contractor CRBC, reaching a total of USD 100 million (including compensation for resettlements related to the Maputo ring road (AM Intelligence 1142, of April 19, 2018).

The repayment of the onlent financing, according to the players involved, is expected to come partially from tolls. Doubts remain about the payment of the credit through the revenues generated by the tolls, which are envisaged to amount to 30% of the cost of the work.

According to some sources (economic and financial studies are not known), to make it possible to pay 30% of the cost of the work (AM Intelligence 1142, of 19 April 2018), traffic needs to amount to an estimated 5,000 vehicles daily. With the values initially defined for tolls and traffic volume, the credit repayment period could be over 75 years, without considering maintenance and operating costs. According to these data, there will be costs for future generations. The management of the bridge will be assigned to the Chinese company under a public-private partnership contract

The financing of the bridge, as well as many others obtained for investments in infrastructure, is not providing benefits or gains for the majority of the population, but only benefits a small part of the population. These investments contribute to the increase in public and external debt and the negative consequences derived therefrom.

The way in which these projects were conceived and financed, as well as doubts about their economic and financial viability, give rise to questions about the existence of feasibility studies, as well as about the evaluation of their social and environmental costs. Difficulties in accessing information do not contribute to the transparency of public investment, raising concerns about their costs.

Seven hundred and twenty-five million dollars could lift many Mozambicans out of poverty.

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