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The Expansion of Treasury Bills and Its Implications for Parliamentary Oversight in Mozambique

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Resumo

O presente artigo analisa criticamente o uso dos Bilhetes de Tesouro como instrumento de financiamento do Estado moçambicano no período compreendido entre 2015 e 2025, com especial atenção às suas implicações para o escrutínio parlamentar, a transparência das finanças públicas e a sustentabilidade fiscal. Partindo de uma abordagem qualitativa e descritiva, baseada na análise documental, normativa e bibliográfica, o estudo examina o enquadramento legal e institucional da emissão dos Bilhetes de Tesouro, a sua evolução e peso na estrutura da dívida pública interna, bem como os impactos económicos, políticos e institucionais do seu uso intensivo. Os resultados evidenciam uma transformação estrutural na política de endividamento interno, marcada por um crescimento significativo do stock de Bilhetes de Tesouro, estimado em cerca de 31% entre 2015 e 2025, com uma aceleração acentuada no período pós-2016, na sequência da crise das dívidas ocultas. Constatou-se que estes títulos passaram de instrumentos complementares de gestão de tesouraria para um mecanismo central de financiamento do Estado, representando aproximadamente um terço da dívida pública interna em 2025. A análise revela ainda que cerca de 64% da dívida associada aos Bilhetes de Tesouro, no período recente, não foi sujeita a escrutínio parlamentar efectivo, o que fragiliza os princípios da transparência e da responsabilização democrática. Conclui-se que, embora os Bilhetes de Tesouro ofereçam flexibilidade financeira de curto prazo, o seu uso intensivo acarreta riscos relevantes para a sustentabilidade fiscal e para a governação democrática das finanças públicas, evidenciando a necessidade de reforço do quadro legal e dos mecanismos de controlo parlamentar.

Palavras-chave: Bilhetes de Tesouro; Dívida Pública Interna; Escrutínio Parlamentar; Transparência Fiscal.

Abstract

This article critically examines the use of Treasury Bills as a financing instrument of the Mozambican State between 2015 and 2025, with particular emphasis on their implications for parliamentary oversight, fiscal transparency, and debt sustainability. Adopting a qualitative and descriptive approach, grounded in documentary, legal, and bibliographic analysis, the study explores the legal and institutional framework governing Treasury Bill issuance, their evolution and relative weight within domestic public debt, and the economic, political, and institutional impacts of their intensive use. The findings reveal a structural shift in domestic debt management, characterized by a significant expansion of Treasury Bills, estimated at approximately 31% over the period under review, with a marked acceleration after 2016 following the hidden debt crisis. Treasury Bills evolved from short-term cash management instruments into a central mechanism of State financing, accounting for nearly one third of domestic public debt by 2025. The analysis further indicates that around 64% of Treasury Bill-related debt issued in recent years was not subject to effective parliamentary scrutiny, undermining fiscal transparency and democratic accountability. The study concludes that, while Treasury Bills provide short-term financial flexibility, their excessive reliance poses substantial risks to fiscal sustainability and weakens democratic governance of public finances, highlighting the need for stronger legal frameworks and enhanced parliamentary oversight.

Keywords: Treasury Bills; Domestic Public Debt; Parliamentary Oversight; Fiscal Transparency

1. Introduction

The main purpose of this research is to conduct a critical and in-depth analysis of the use of Treasury Bills as a financing instrument for the Mozambican State, considering how these securities have been mobilised between 2015 and 2025 as a mechanism that, in practice, allows the Executive to circumvent or limit parliamentary scrutiny. It is assumed that the growing use of this instrument cannot be understood solely from a technical or financial perspective, but must rather be analysed in light of its political, legal and economic implications, particularly with regard to the quality of democratic governance of public finances and the relationship between the Government and the Assembly of the Republic.

In this regard, the study seeks, first, to understand the legal and institutional framework that regulates the issuance of Treasury Bills in Mozambique, critically analysing the current regulatory framework and identifying gaps, ambiguities or legal shortcomings that enable the limitation, or even exclusion, of parliamentary control over this instrument of public debt. This analysis is essential to understand how the distinction between short-, medium- and long-term debt has been used to justify debt practices that escape parliamentary debate and authorisation, weakening constitutional financial oversight mechanisms.

At the same time, the research examines the historical evolution and relative weight of Treasury Bills in the structure of Mozambique's domestic public debt during the period under review, seeking to highlight the growth trends in their stock and how these securities came to occupy a central position in state financing. This analysis is linked to the identification of the main economic and political factors that explain the intensive use of this instrument, namely the weak tax collection capacity, restrictions on external financing after the hidden debt crisis, the Treasury's recurring liquidity needs and the Executive's search for greater budgetary flexibility in contexts of social and political pressure.

Finally, the study aims to critically assess the impacts of the intensive use of Treasury Bills on the transparency of public finances, political accountability and fiscal sustainability of the Mozambican State. This assessment focuses, in particular, on the consequences of this debt model for the supervisory role of the Assembly of the Republic, as a representative body with constitutional powers in budgetary matters, as well as on the associated macroeconomic effects, including refinancing risks, increased debt costs and the potential displacement effect of credit to the real economy. By articulating these dimensions, the study aims to contribute to an integrated understanding of the phenomenon, highlighting that the debate surrounding Treasury Bills is inseparable from the broader issues of democracy, economic governance and development in Mozambique.

2. Literature review

2.1 The legal and institutional framework for the issuance of Treasury Bills in Mozambique.

The legal and institutional framework for the issuance of Treasury Bills in Mozambique must be understood within the context of the constitutional system of public finances and the mechanisms for democratic control of the executive branch. The Constitution of the Republic of Mozambique enshrines the principles of legality, transparency and financial responsibility of the State, granting the Assembly of the Republic relevant powers in approving the State Budget and overseeing government activity. However, the practical implementation of these principles in the area of public debt reveals significant weaknesses, particularly with regard to the issuance of short-term debt instruments such as Treasury Bills (Constitution of the Republic of Mozambique [CRM], 2018).

From a legal standpoint, the State Budget is the main instrument for parliamentary authorisation of public debt. However, the Constitution does not establish specific and detailed rules regarding the parliamentary authorisation mechanisms applicable to each debt instrument, referring this matter to ordinary legislation and institutional practice. This regulatory openness has allowed the Executive to resort to financial instruments which, although legally compliant, escape direct and prior parliamentary control, weakening the principle of separation of powers and the supervisory role of the Assembly of the Republic (Schick, 2010).

Mozambican ordinary legislation on public debt management, namely the annual budget laws and the laws regulating the State Financial Management System, sets overall limits for domestic and external borrowing, but does not strictly distinguish between short-, medium- and long-term debt with regard to parliamentary authorisation requirements. Treasury bills are often classified as treasury operations, intended to meet the State's temporary liquidity needs, which has served as the legal basis for their issuance without specific parliamentary authorisation, provided that the overall limits set out in the State Budget are respected (CIP, 2023).

From an institutional point of view, the issuance of Treasury Bills is essentially conducted by the Ministry of Economy and Finance, in conjunction with the Bank of Mozambique, which acts as the State's financial agent. The Bank of Mozambique is responsible for organising auctions and placing securities on the domestic market, where the main subscribers are commercial banks. This institutional model concentrates a high degree of decision-making power in the executive branch, reducing direct intervention by Parliament and limiting scrutiny to a later stage, usually through the analysis of aggregate reports on public debt (IMF, 2022).

One of the main regulatory gaps in the system is the absence of a clear legal obligation to submit decisions on the issuance of Treasury Bills to Parliament in advance. Unlike certain external loans or the issuance of medium- and long-term bonds, which often require express parliamentary authorisation, Treasury Bills can be issued without specific parliamentary debate on their amounts, financial conditions or specific objectives. This situation compromises the principle of transparency and limits the capacity of the Assembly of the Republic to exercise effective control over the State's debt strategy (CIP, 2023).

The weakness of parliamentary control is exacerbated by insufficient accountability and reporting mechanisms. Reports submitted to Parliament tend to provide aggregate data, making it difficult to identify the real weight of Treasury Bills in the overall public debt and preventing a rigorous assessment of their use. The lack of detailed and timely information creates an information asymmetry between the executive and the legislature, favouring opaque debt practices and reducing the quality of parliamentary debate (Fukuyama, 2014).

The literature on public finance and budgetary law emphasises that the distinction between treasury operations and structural debt should not serve as a pretext for excluding Parliament from the decision-making process, especially when short-term instruments are used repeatedly and account for a significant proportion of public debt. In Mozambique, the continued use of Treasury Bills over several financial years has transformed an instrument designed for temporary situations into a structural mechanism for financing the State, without the legal and institutional framework having been adjusted to ensure adequate democratic control (Schick, 2010; IMF, 2022).

In addition to regulatory gaps, political and institutional factors also contribute to limiting parliamentary scrutiny. The dominance of the ruling party in the Assembly of the Republic and the limited technical capacity of the parliamentary committees specialising in budgetary and financial matters reduce the effectiveness of legislative control. Even when information is made available, its technical complexity hinders critical analysis, reinforcing the asymmetry of knowledge between the executive and parliament (Fukuyama, 2014).

The judicial review exercised by the Administrative Court, although relevant, essentially occurs after the fact, focusing on the legality of budget execution and public expenditure. In the case of the issuance of Treasury Bills, this ex post oversight does not prevent the Executive from systematically resorting to this instrument without prior parliamentary debate, limiting the effectiveness of democratic control over public debt (CRM, 2018).

In short, the legal and institutional framework for the issuance of Treasury Bills in Mozambique is characterised by a combination of generic rules, regulatory gaps and institutional weaknesses that allow for the limitation or even exclusion of effective parliamentary control over this instrument of public debt. The persistence of these gaps compromises transparency, political accountability and the sustainability of public finances, highlighting the need for legal and institutional reforms that strengthen the role of the Assembly of the Republic in the democratic governance of public debt.

2.2 The evolution and weight of Treasury Bills in the structure of Mozambique's domestic public debt between 2015 and 2025.

The evolution of Mozambique's domestic public debt between 2015 and 2025 reveals a significant transformation in the composition of the State's financing instruments, with particular emphasis on the growing use of Treasury Bills. These public debt securities, characterised by their short maturity, have evolved from a complementary cash management instrument to a structural element of the internal financing of the State Budget. This evolution is closely linked to the macroeconomic, institutional and political constraints that have marked the last decade of Mozambican economic governance.

In 2015, the structure of domestic public debt still showed a relative balance between different instruments, including Treasury Bonds, advances from the Bank of Mozambique and Treasury Bills, the latter being used mainly to cover the State's temporary liquidity needs. However, the disclosure of debts in 2016 marked a profound turning point in public debt policy, leading to the suspension of direct financial support from several international cooperation partners, as well as the deterioration of the country's external credibility (Castel-Branco, 2017; International Monetary Fund [IMF], 2019).

From that moment on, the Mozambican state found itself increasingly constrained to resort to internal financing to ensure budget execution and the continuity of the essential functions of the state apparatus. In this context, Treasury Bills took on an increasingly central role, due to their flexibility, speed of issuance and greater acceptability in the domestic financial market, dominated by the national banking sector. Between 2017 and 2019, there was continuous growth in the stock of Treasury Bills, although their relative weight in domestic debt remained lower than that of Treasury Bonds, which continued to represent the main medium and long-term instrument (Bank of Mozambique, 2020).

However, from 2020 onwards, as a result of the economic impacts of the COVID-19 pandemic, there was a significant acceleration in the use of Treasury Bills. The decline in economic activity, the reduction in tax revenue and the increase in public expenditure, particularly in the areas of health and social protection, worsened the budget deficit and intensified short-term financing needs. Faced with persistent constraints on concessional external financing, the Executive reinforced the issuance of Treasury Bills as the main mechanism for covering the cash deficit (IMF, 2021; Ministry of Economy and Finance [MEF], 2022).

Between 2021 and 2025, official data show a significant increase in both absolute and relative terms in the stock of Treasury Bills in domestic public debt. In 2025, these securities will represent around one third of total domestic debt, approaching Treasury Bonds in terms of weight, which demonstrates a structural change in public debt management strategy. This trend reflects not only cyclical needs, but also a deliberate policy choice in favour of short-term instruments, which are considered easier to issue and roll over in a context of budgetary and institutional constraints (MEF, 2025).

From an economic point of view, several factors explain the growing use of Treasury Bills. Firstly, there is a chronic insufficiency of tax revenue to meet the level of public expenditure, a phenomenon aggravated by the high degree of informality in the economy and the limited tax base. Secondly, the Mozambican domestic financial market is still shallow and lacks diversification of institutional investors, which limits demand for long-term securities and favours short-term instruments, which are more attractive to commercial banks (World Bank, 2023). In addition, there is the risk associated with issuing long-term debt in a context of macroeconomic instability and interest rate volatility.

At the political-institutional level, the intensive use of Treasury Bills is also linked to the Executive's need to maintain budgetary execution without resorting systematically to in-depth parliamentary control. As instruments frequently used for cash management and refinancing, Treasury Bills allow the Government greater room for manoeuvre in conducting fiscal policy, reducing immediate pressure for structural reforms or more demanding parliamentary debate on public debt. In periods of greater political sensitivity, such as election cycles, this flexibility is particularly important in ensuring the continuity of public spending and social stability (CIP, 2024).

Despite the short-term advantages, the growing dependence on Treasury Bills poses significant risks to the sustainability of public debt. The shortening of the maturity profile of domestic debt increases the risk of refinancing and exposes the State to liquidity shocks and possible interest rate rises, with direct impacts on future public spending. Thus, developments between 2015 and 2025 highlight the need for a more in-depth debate on domestic public debt management, greater fiscal transparency and the role of democratic control institutions in defining the Mozambican State's debt strategy.

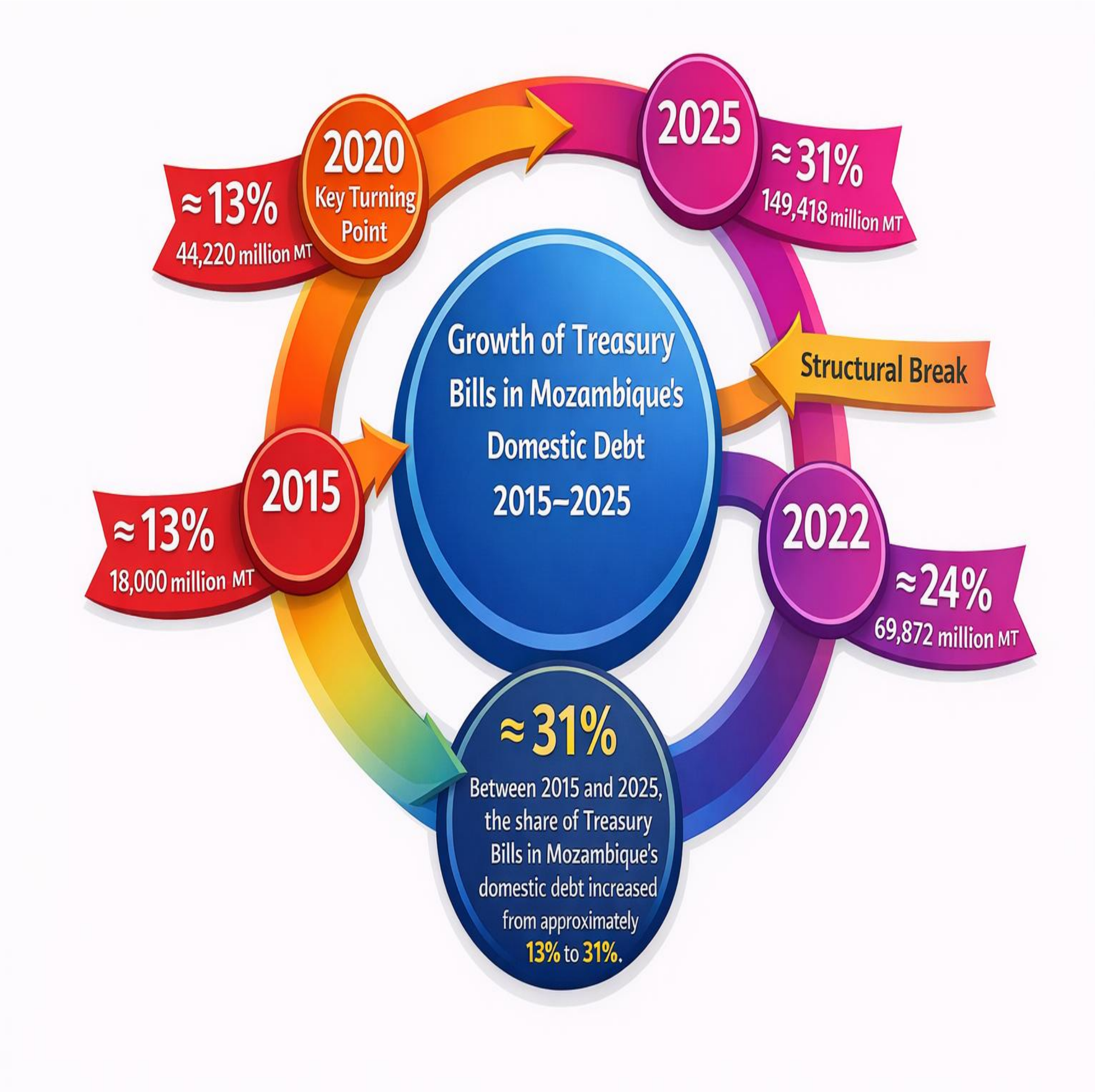
In short, between 2015 and 2025, Treasury Bills in Mozambique took on an increasingly central role in the structure of domestic public debt, accompanying the State's growing financing needs in the face of fiscal deficits and limitations on access to external credit. Although in 2015 these short-term securities represented only a fraction of total domestic debt, from 2016 onwards, following the disclosure of hidden debts, there was continuous and accelerated growth in their stock, driven both by immediate liquidity needs and by limited external financing (Castel-Branco, 2017; IMF, 2019).

Between 2020 and 2025, official data indicate a significant increase: in 2020, the stock of BTs stood at around 44,220 million meticais, rising to 57,886 million in 2021, 69,872 million in 2022, 85,536 million in 2023 and 131,699 million in 2024, reaching 149,418 million meticais in the second quarter of 2025 (MEF, 2022; MEF, 2025).

This growth highlights the increasing use of Treasury Bills as an instrument for refinancing and covering cash deficits, especially in periods of greater economic and social pressure. In relative terms, in 2025, TBs will represent about one-third of domestic debt, approaching Treasury Bonds, reflecting a structural change in the State's debt policy (Bank of Mozambique, 2020; IMF, 2021).

The economic factors explaining this growth include weak tax collection, the need to manage the State's liquidity and the limited domestic financial market, while political factors relate to the demand for greater flexibility in budget execution, particularly during election periods or periods of instability, allowing the Executive to finance the State Budget without relying entirely on parliamentary control (CIP, 2024; World Bank, 2023). Despite the short-term advantages, the growing dependence on Treasury Bills entails risks of refinancing and increased debt costs in the medium term, requiring continuous attention to fiscal sustainability and prudent management of domestic public debt.

The CIP study (2023) shows that around 64% of Treasury Bills did not undergo parliamentary scrutiny between 2020 and 2025, while 36% did undergo parliamentary scrutiny, referring to medium- and long-term domestic debt.



Source: Produced by the author based on data from the Ministry of Finance (MEF, 2022; MEF, 2025).

2.3 The impacts of intensive use of Treasury Bills on transparency, political accountability, and fiscal sustainability.

In the context of public finance management, the use of Treasury Bills has become a frequent tool for meeting short-term liquidity needs. These securities, issued by the State to finance temporary deficits, are fundamental to treasury management, but their intensive use raises important questions about transparency, political accountability and fiscal sustainability (Blanchard & Johnson, 2013). Particularly in emerging economies such as Mozambique, the recurrent issuance of Treasury Bills can compromise the ability of the

Assembly of the Republic to exercise effective scrutiny, due to the complexity and frequency of financial operations (OECD, 2014).

Treasury bills differ from Treasury bonds in that they are short-term instruments, generally with maturities ranging from 91 to 364 days, and are intended to cover immediate liquidity needs (Blanchard & Johnson, 2013). When used intensively and repeatedly, they can indicate weaknesses in the government's fiscal discipline and financial planning, exposing the economy to refinancing risks and high debt servicing costs (IMF, 2013). Frequent issuance of short-term securities can also affect investor confidence and cause volatility in domestic financial markets, with effects on interest rates and the availability of credit to the private sector, a phenomenon known as crowding-out (Hallerberg, Strauch & Von Hagen, 2009).

Fiscal transparency, understood as the clear, accurate and accessible disclosure of information on revenues, expenditures, liabilities and debt management strategies, is particularly sensitive to the intensive use of Treasury Bills (OECD, 2014). When information on the magnitude of issuances and associated risks is not made available in a timely or comprehensible manner, it creates an information asymmetry that hinders public scrutiny and limits political accountability (Przeworski, Stokes & Manin, 1999). Opacity in the disclosure of budgetary data can allow debt management decisions to go unnoticed or their economic impact to be underestimated, reducing the Portuguese Parliament's capacity for analysis.

Political accountability depends heavily on the transparency and accessibility of fiscal information. When the government repeatedly resorts to Treasury Bills, it can create a narrative of temporary solutions that postpone difficult structural decisions, diluting the responsibility of policy makers (Przeworski, Stokes & Manin, 1999). In electoral contexts, this practice can be used to manage perceptions of the public deficit and avoid immediate political confrontation, weakening the integrity of democratic processes. Without detailed and timely data, the Assembly of the Republic faces difficulties in exercising its oversight role, limiting its ability to question or challenge the Executive's policies (Hallerberg, Strauch & Von Hagen, 2009).

Fiscal sustainability, in turn, is affected by the intensive use of short-term instruments. Over-reliance on Treasury bills exposes the state to refinancing risks and higher financing costs, which can undermine macroeconomic stability (IMF, 2013). In addition, the absorption of a large part of domestic savings by government securities reduces the credit available to the private sector, limiting economic growth and job creation (Blanchard & Johnson, 2013). The accumulation of short-term debt also restricts the room for manoeuvre in monetary and fiscal policy, making it more difficult to manage external shocks and maintain strategic investments in infrastructure, health and education.

From an economic perspective, the intensive issuance of Treasury bills can cause changes in the interest rate structure, increase financial market volatility and make debt servicing more expensive, reducing the fiscal space for public investment policies (IMF, 2013; Hallerberg, Strauch & Von Hagen, 2009). These effects reinforce the need for integrated debt management that combines short-, medium- and long-term instruments, ensuring that fiscal policy contributes to economic stability and the confidence of economic agents, rather than creating additional vulnerabilities (OECD, 2014).

In short, although Treasury Bills are useful instruments for cash management, their intensive use can compromise fiscal transparency, political accountability and the sustainability of public finances. Opacity in the disclosure of information, combined with the complexity of financial operations, weakens the supervisory role of the Assembly of the Republic and increases the country's economic vulnerability. To mitigate these risks, it is necessary to strengthen the technical capacities of oversight bodies, ensure clear and timely disclosure of data, and implement balanced debt management strategies that promote macroeconomic stability and protect the public interest (Blanchard & Johnson, 2013; IMF, 2013; OECD, 2014; Przeworski, Stokes & Manin, 1999).

2.4 Impact on the market

Excessive issuance of Treasury bills by the government, although a useful tool for liquidity management and covering short-term deficits, can trigger a series of adverse effects on the financial market, the cost of credit and, ultimately, overall macroeconomic performance. First, high issuance of Treasury bills tends to increase the supply of government securities in the market, which puts upward pressure on the nominal interest rates demanded by investors to absorb this additional debt.

Modern economic literature argues that a larger stock of public debt, without a corresponding increase in demand for these securities, tends to raise equilibrium interest rates in the market, as investors demand higher risk premiums to compensate for risk and excess supply (Bi, Phillot & Zubairy, 2025). This phenomenon, in turn, makes financing more expensive for both the government and the private sector, since the lending rates charged by banks and capital markets are influenced by the returns required on government securities.

Closely related to this, excessive issuance of Treasury bills can lead to what economic theory calls the ‘crowding out’ effect, in which increased government demand for financial funds reduces the availability of credit for the private sector. In other words, when the government absorbs a large part of the liquidity available in the financial market through the sale of treasury bills, there is less capital available for companies and individuals to invest in productive activities, which can discourage private investment and potentially reduce the pace of economic growth (Investopedia, 2003; Sparkl, 2025). This effect has been documented in both theoretical models and empirical analyses of the impact of public debt expansion on bank financing of companies (Riblier, 2023; ScienceDirect, 2024).

In addition, the continuous and high supply of Treasury bills can influence the yield curve of government bonds, raising term premiums and affecting market expectations regarding risk and future inflation. When the government needs to raise large amounts of funds through short-term securities, investors may demand higher yields to compensate for perceived risk and macroeconomic uncertainty, which can lead to a general increase in interest rates across the yield curve (Reef Insights, 2024). This increase in financing costs can also translate into higher interest charges for the government itself, compromising fiscal sustainability and reducing the room for manoeuvre for investment in priority social sectors.

In addition, the dominant presence of Treasury bills in the market may reduce the attractiveness of other private financial instruments, leading to a concentration of capital in these securities, which are seen as relatively safe. In environments where the nominal returns on Treasury bills become competitive with or higher than traditional banking instruments, such as time deposits, the market tends to channel savings into government securities, which can diminish the depth and diversity of the domestic capital market, reducing financing alternatives for companies and private investors (Expansão, 2025).

At the macroeconomic level, excessive issuance of Treasury bills can also have inflationary repercussions, especially if their acquisition involves the use of monetary financing (e.g., when the central bank directly purchases these securities). Although the act of issuing Treasury bills does not directly increase the monetary base, subsequent interactions with monetary policy can lead to an increase in liquidity in the economy, which, in contexts of full productive capacity, can exacerbate inflationary pressures.

In short, excessive use of Treasury bills as a mechanism for government financing can raise market interest rates, displace private sector credit, reduce the diversity of financial instruments, burden the public budget with higher interest charges and, in certain contexts, contribute to inflationary pressures. These effects illustrate the urgent need for responsible and sustainable public debt management that balances the government's financing needs with systemic risks to the financial market and the economy as a whole.

3. Methodological procedures

The methodological procedures adopted for this study fall within the scope of descriptive research, using a qualitative approach, aimed at analysing the impacts of the excessive use of Treasury bills by the State on the financial market and the economy. The choice of descriptive research is justified by the fact that the study does not seek to establish strict causal relationships or test econometric hypotheses, but rather to describe, analyse and interpret observable economic and institutional phenomena based on documentary, normative and bibliographic data. According to Gil (2019), the primary purpose of descriptive research is to characterise a particular phenomenon or reality, allowing the researcher to understand its dynamics, trends and implications without necessarily interfering with them.

The qualitative approach was considered the most appropriate due to the nature of the research problem, which involves institutional, political and economic dimensions that are difficult to measure using quantitative indicators alone. The qualitative approach allows for an in-depth analysis of the meanings, discourses and interpretations associated with the issuance of Treasury bills, as well as perceptions of their effects on the financial market, fiscal transparency and the financing of the real economy. As Denzin and Lincoln (2018) point out, qualitative research focuses on understanding social phenomena from the context in which they occur, valuing the interpretative analysis of data.

From a technical procedures standpoint, the study relied primarily on bibliographic and documentary research. The bibliographic research consisted of a systematic consultation of books, scientific articles, reports from financial institutions, academic studies and specialised publications on public debt, Treasury bills, financial markets and fiscal sustainability. This stage enabled the construction of the study's theoretical and analytical framework, as well as the identification of relevant concepts, models and empirical evidence. The documentary research, in turn, focused on the analysis of legal documents, budget reports, official government documents and publications from central banks and international organisations, which provide essential information on the institutional framework and practice of issuing Treasury bills.

Data analysis was performed using content analysis, a technique widely used in qualitative studies involving written documents. This technique made it possible to identify thematic categories, discursive patterns and conceptual recurrences related to the effects of short-term debt on the financial market, interest rates, credit to the private sector and macroeconomic stability. According to Bardin (2016), content analysis is a set of communication analysis techniques that aims to obtain indicators that allow inferences to be made about the conditions of production and reception of the messages analyzed.

4. Analysis and Discussion of Results by Specific Objectives

Specific objective 1: Analyse the evolution and weight of Treasury Bills in the structure of Mozambique's domestic public debt (2015–2025)

Empirical results show a progressive and structural expansion of Treasury Bills in the composition of Mozambique's domestic public debt. Data from the Ministry of Economy and Finance indicate that between 2020 and the second quarter of 2025, the stock of these instruments rose from 44,220 million to 149,418 million meticais, revealing a trajectory of continuous and accelerated growth (MEF, 2022; MEF, 2025). When this data is cross-referenced with historical analyses by Castel-Branco (2017) and the IMF (2019), it can be seen that this growth intensified in the post-2016 period, following the revelation of hidden debts, which severely compromised the country's access to external financing.

Triangulation between the MEF, the Bank of Mozambique (2020) and the IMF (2021) allows us to identify that, in relative terms, Treasury Bills came to represent about one-third of total domestic debt in 2025, approaching Treasury Bonds, traditionally associated with medium- and long-term financing. This quantitative approximation suggests a structural change in debt policy, marked by greater dependence on short-term instruments. While the MEF tends to frame this development as a functional response to treasury needs, the IMF questions the risks associated with the concentration of debt in short maturities, highlighting complementary but not coinciding readings on the same phenomenon.

Specific objective 2: Assess the impacts of the growing use of Treasury Bills on the financial market and fiscal sustainability

The analysis of the results indicates that the growing centrality of Treasury Bills has a significant impact on the functioning of the domestic financial market and on public debt management. According to the Bank of Mozambique (2020), these instruments play an important role in absorbing liquidity and implementing monetary policy, contributing to the stability of the money market. However, when this reading is triangulated with the analyses of the IMF (2021) and the World Bank (2023), concerns emerge regarding increased refinancing risks and the progressive rise in interest charges.

The data analyzed suggest that the recurrent use of Treasury Bills as a mechanism for refinancing the budget deficit may expose the State to adverse shocks in market conditions, especially in contexts of monetary tightening or macroeconomic instability. The World Bank (2023) notes that economies with shallow financial markets tend to face increasing costs when they resort excessively to short-term debt, an observation that is relevant to the Mozambican case. This triangulation highlights a tension between the short-term benefits associated with financial flexibility and the medium-term risks to fiscal sustainability.

Specific objective 3: Analyse the institutional and policy implications of the use of Treasury Bills, with an emphasis on parliamentary scrutiny and fiscal transparency

The results relating to the institutional dimension reveal critical aspects that are not fully captured by traditional macroeconomic analyses. According to data from the Centre for Public Integrity, around 64% of the domestic debt associated with Treasury Bills issued between 2020 and 2025 was not subject to effective parliamentary scrutiny, in contrast to the 36% that underwent formal legislative control mechanisms, especially in the case of medium and long-term debt (CIP, 2023). When this data is cross-referenced with the legal framework for public debt and the World Bank's (2023) observations on fiscal governance, the hypothesis emerges that short-term instruments offer greater discretion to the Executive.

The triangulation between CIP (2024), Castel-Branco (2017) and the IMF (2019) suggests that the preference for Treasury Bills stems not only from economic constraints, but also from political incentives associated with budgetary flexibility, particularly in periods of greater social or electoral pressure. This flexibility, although functional from the point of view of budget execution, can undermine the principles of transparency and democratic accountability by reducing the role of Parliament in controlling public debt. Thus, the results point to a tension between administrative efficiency and institutional control, the resolution of which depends on strengthening the regulatory framework and oversight mechanisms.

5. Final considerations

Analysis of data on the evolution of Treasury Bills in Mozambique between 2015 and 2025 reveals a profound structural transformation in the composition of domestic public debt, confirming the growing centrality of these short-term instruments in government financing. The results indicate that, although in 2015 Treasury Bills represented only a residual fraction of domestic debt, the period following the disclosure of hidden debts in 2016 marked a decisive turning point in the public debt strategy. As noted by Castel-Branco (2017) and the IMF (2019), the collapse of the Mozambican state's external credibility severely restricted access to concessional and commercial external financing, leading to a forced reorientation towards the domestic market and, in particular, towards short-term instruments with greater operational flexibility.

Official data from the Ministry of Economy and Finance show that this trend has intensified significantly since 2020. The increase in the stock of Treasury Bills from around 44.22 billion meticais in 2020 to 149.418 billion meticais in the second quarter of 2025 shows a trajectory of accelerated and continuous growth, which cannot be interpreted as cyclical, but rather as structural. This growth suggests that Treasury Bills now play not only a temporary liquidity management role, but also a central role in the systematic refinancing of the budget deficit and the State's treasury needs (MEF, 2022; MEF, 2025).

In relative terms, the results show that, in 2025, Treasury Bills will represent approximately one third of total domestic debt, approaching the weight of Treasury Bonds, traditionally associated with medium and long-term financing. This quantitative approximation between short- and long-term instruments is a clear indicator of a change in the architecture of domestic public debt, as noted by the Bank of Mozambique (2020) and the IMF (2021). This configuration reveals a growing dependence on short-term instruments, which increases the frequency of refinancing operations and exposes the State to increased liquidity and interest rate volatility risks.

The discussion of the results also shows that this growth cannot be explained solely by economic factors. Although weak tax collection, pressure on public spending and the limited depth of the domestic financial market are determining factors, political factors play an equally important role. As highlighted by the World Bank (2023) and the Centre for Public Integrity (CIP, 2024), Treasury Bills offer the Executive a high degree of flexibility in budget execution, allowing it to respond quickly to economic, social or electoral shocks without resorting systematically to external financing or more time-consuming legislative processes. This result suggests that Treasury Bills have become not only a financial instrument but also a political tool for managing the State Budget.

One of the most critical findings of the study concerns the institutional and governance dimension of public debt. According to the CIP (2023), around 64% of the domestic debt associated with Treasury Bills between 2020 and 2025 was not subject to effective parliamentary scrutiny, while only 36% underwent formal legislative control mechanisms, mainly in the context of medium and long-term domestic debt. This data reveals a significant asymmetry in oversight mechanisms, suggesting that the intensive use of short-term instruments may be being used as a way to partially or indirectly circumvent constitutionally enshrined parliamentary control. This result reinforces the literature that associates the excessive use of short-term debt with increased risks of opacity and the weakening of democratic accountability.

From a fiscal sustainability perspective, the results analyzed indicate that, although Treasury Bills offer clear advantages in the short term, namely speed of issuance, flexibility and immediate access to liquidity, their intensive use entails increasing costs in the medium term. The increase in the stock of these securities tends to raise interest charges and intensify refinancing risk, especially in contexts of macroeconomic instability or monetary tightening. As warned by the IMF (2021) and the World Bank (2023), excessive concentration of public debt in short-term instruments can compromise budgetary predictability and reduce fiscal space for structural public policies.

In short, the discussion of the results leads to the conclusion that the preference for Treasury Bills stems not only from economic constraints, but also from political incentives associated with fiscal flexibility, particularly in periods of greater social or electoral pressure. This flexibility, although functional from the point of view of budget execution, can undermine the principles of transparency and democratic accountability by reducing the role of Parliament in controlling public debt. Thus, the results point to a tension between administrative efficiency and institutional control, the resolution of which depends on strengthening the regulatory framework and oversight mechanisms. From 2015 to 2025, the percentage growth in the use of treasury bills was 31%.

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