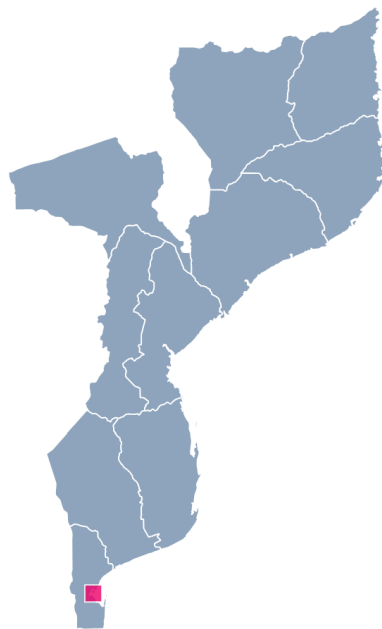


Mozambique Governance and Public Finance Systems

Assessment of Domestic Resource Mobilisation, Public Finance Management, Statistical Capacity, and Anti-Corruption



Chr. Michelsen Institute & ITAD
Bergen, December 2025

Foreword

This report is developed under the “Framework Agreement for the provision of consultancy services for procurement of consultancy services related to Norad’s Governance and Public Finance Portfolio and economic governance engagement”.¹ The framework agreement between Norad and CMI includes desk-based studies covering Malawi, Mozambique, Somalia and Tanzania. The studies cover, to the extent possible given the available documentation and dialogues, the most relevant partner analyses, programs, and assistance in the following thematic areas: (1) Domestic Resource Mobilization (DRM), (2) Public Finance Management (PFM), (3) Statistical Capacity, and (4) Anti-Corruption. The purpose of these studies is to provide contextual knowledge that informs priorities relevant to Norway as well as other partners engaged in the thematics covered in this report, as well as specifically for Norad within the portfolio of Governance and Public Finance. It establishes a foundation for tracking developments over time and identifies potential contributions from the portfolio to such developments.

CMI’s study team consisted of Senior Researcher Elling Tjønneland (project leader); Senior Researcher Ingrid Hoem Sjørnsen (deputy project leader); Research Professor Odd-Helge Fjeldstad (main author of the Tanzania report and co-author of the Malawi report); Senior Researcher Aslak Orre (main author of the Mozambique report and co-author of the Malawi report); and Post Doctoral Fellow Gayatri Sahgal (main author of the Somalia report and co-author of the Malawi report). Rob Lloyd (ITAD) has been responsible for the quality assurance of the reports.

The study team would like to thank the staff of Norad’s *Section for Governance and the Norwegian Embassies in Dar es Salaam, Lilongwe, Maputo, Mombasa, and Nairobi* for constructive discussions during our work and for their valuable comments on earlier drafts. The country reports do not reflect the policies or views of the Norwegian Ministry of Foreign Affairs or Norad. The opinions expressed are solely those of the authors. Responsibility for the reports content and any errors rests entirely with the study team.

Bergen, December 2025

¹ Ref. Call off Contract no. 1 2025 case no 2401730-17 between Norad and CMI.

Contents

Foreword.....	2
Contents	3
Acronyms.....	5
Executive summary.....	7
1 Introduction.....	10
1.1 A more unpredictable global context	13
1.2 Domestic context following the elections in October 2024.....	14
1.3 Organization of the report and qualitative assessments.....	16
2 Domestic Resource Mobilisation.....	16
2.1 Composition of domestic revenue	16
2.2 Revenue administration	17
2.3 Tax revenue	18
2.4 Tax base and potential for broadening the revenue base	20
2.5 Qualitative assessment.....	24
2.6 The political economy of change of the DRM system	26
2.7 External support to strengthening the tax system	27
3 Public Finance Management.....	27
3.1 The economy and the fiscal balance	28
3.2 Strengths and weaknesses of the PFM cycle	31
3.3 Ongoing reform efforts	36
3.4 Qualitative assessment.....	37
3.5 The political economy of change of the PFM system.....	38
4 Statistical Capacity.....	39
4.1 Capacity of statistical offices	40
4.2 Mechanisms for data sharing	41
4.3 Coordination and reform efforts ongoing	41
4.4 Qualitative assessment.....	42
4.5 The political economy of change of the statistical system.....	43
4.6 External support to strengthening the statistical system.....	44
5. Anticorruption Efforts.....	44

5.1 International rankings of corruption	44
5.2 Other international rankings	47
5.3 Anti-corruption capacity in Mozambique	48
5.4 Coordination and ongoing reform efforts	48
5.5 Qualitative assessment	49
5.6 The political economy of change of the anti-corruption system.....	50
5.7 External support to strengthening the anti-corruption architecture	52
Bibliography	55
Annex 1 Methodological Note: The A–D Assessment Scale	58

Acronyms

AC	Anti-Corruption
AfDB	African Development Bank
ATM	Autoridade Tributária de Moçambique
BM/BdM	Banco de Moçambique (Central bank of Mozambique)
CDD	Centro para Democracia e Desenvolvimento (Centre for democracy and development)
CFMP	Cenário Fiscal de Médio Prazo (Medium-term fiscal scenario)
CGE	Contas Geral do Estado (National Accounts)
CIP	Centro de Integridade Pública (Centre for Public Integrity)
CMI	Chr. Michelsen Institute
CNE	Comissão Nacional de Eleições (National Electoral Commission)
CSO	Civil Society Organisation
DFID	Department for International Development (UK)
DRM	Domestic Revenue Mobilisation
ECF	Extended Credit Facility (of the IMF)
EU	European Union
FCDO	Foreign, Commonwealth & Development Office (UK)
FMO	Fórum de Monitoria do Orçamento (Forum for budget monitoring)
FRELIMO	Frente de Libertação de Moçambique (Liberation Front of Mozambique, the ruling party of Mozambique since 1975)
FSM	Fundo Soberano de Moçambique (Sovereign Wealth Fund of Mozambique)
GCCC	Gabinete Central de Combate da Corrupção (Central office for combatting corruption)
GDP	Gross Domestic Product
GTZ/GIZ	German agency for international cooperation
ICT	Information and Communication Technology
IESE	Instituto de Estudos Sociais e Económicos (Institute for Social and Economic Studies)
IMF	International Monetary Fund
INE	Instituto Nacional de Estatísticas (National Statistical Institute)
INP	Instituto Nacional de Petróleos (National Petroleum Institute)
INGD	Instituto Nacional de Gestão de Desastres (the Disaster Management Institute)
LNG	Liquefied Natural Gas
MTEF	Medium Term Expenditure Framework
NSS	National Statistical System
NTA	Norwegian Tax Administration
ODA	Overseas development aid
OECD	Organisation for Economic Co-operation and Development
OMR	Observatório do Meio Rural (Rural Observatory, a research institute)
PARPA	Plano de Ação para a Redução da Pobreza Absoluta (Poverty Reduction Strategy Paper)
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
PGR	Procuradoria Geral da República (Attorney General's office in the Ministry of Public Matters)

PIP	Poverty and Inequality Platform (of the WB)
PPP	Private-public partnership
PQG	Plano Quinquenal do Governo (Government 5-year plan)
PRECE	Plano de Recuperação e Crescimento Económico (Plan for Economic Recovery and Growth of Mozambique)
PESOE	Plano Económico e social e Orçamento do Estado (Annual social and economic plan and budget)
SADC	Southern African Development Community
SISE	Serviços de Inteligência e Segurança do Estado (State Intelligence and Security Service)
SISTAFE	Sistema de Administração Financeira do Estado (System of Financial Administration of the State)
SME	Small and Medium Enterprise
SSA	Sub-Saharan Africa
TA	Tribunal Administrativo (Administrative Court/Supreme Audit Institution)
TADAT	Tax Administration Diagnostic Assessment Tool
TI	Transparency International
ToC	Theory of Change
UNCDF	United Nations Capital Development Fund
UNICEF	United Nations International Children's Emergency Fund
UNODC	United Nations Office on Drugs and Crime
UNU-WIDER	UN University World Institute for Development Economics Research
USAID	United States Agency for International Development
USD	United States Dollar
VAT	Value Added Tax
VTB	Vneshtorgbank (a large Russian Bank)
WB	World Bank
YOY	Year-on-year

Executive summary

This report assesses Mozambique's governance and public finance systems across four key areas: **Domestic Resource Mobilisation, Public Financial Management, Statistical Capacity, and Anti-Corruption**. It establishes a reference point for Norad's portfolio engagement, highlighting some progress, persistent weaknesses, challenges and opportunities for reform and factors of political economy blocking meaningful reform.

Context

Mozambique faces a challenging domestic and international environment. The country's difficulties are numerous and profound: ongoing conflict in the North; extreme poverty - among the worst in the world and worsening; rapid population growth; severe income and gender inequality; declining foreign aid; a persistent fiscal deficit; and a national debt so large it risks triggering a sovereign default. Added to this are acute vulnerability to climate change, extensive environmental degradation, the criminalisation of state and economic structures, political instability and violence, and an increasingly autocratic regime. Yet, there are also potential opportunities. If circumstances align favourably, Mozambique could, within the next few years, benefit from substantial revenues from liquefied natural gas (LNG) production and exports, potentially paving the way for renewed economic growth.

The same political regime has now been in power for 50 years. However, the popular uprisings of 2024 and 2025, along with potential spillover effects from neighbouring countries, could trigger further unrest. The recent uprisings were strong enough to demonstrate that regime change in Mozambique could occur rapidly, rather than through a gradual, planned reform process.

Reform frameworks exist across all four domains discussed in this report, offering potential for meaningful progress if supported by genuine political will and coordinated donor engagement. Nonetheless, any reform efforts will unfold within the challenging context described above.

Cross-Cutting Challenges

- **Extreme poverty and low education levels**, including among many government employees, remain persistent structural constraints.
- **Political conflict and violence** continue to pose a constant threat, hindering efforts to build alliances across political divides.
- **Election cycles** tend to weaken policy enforcement and encourage the granting of exemptions.
- **Vested interests within the political elite** further undermine enforcement and contribute to selective application of rules. **Centralised political control** under the Frelimo party-state continues to undermine the independence and effectiveness of oversight institutions.
- **Some pockets of efficiency** do exist and, when identified, can serve as valuable allies for reform.
- **Digitalisation** offers opportunities to improve administrative efficiency and reduce discretionary decision-making; however, neither technology nor technocrats can

substitute for strong systems, effective management, and - above all - political will for reform.

- **Gender and climate considerations** remain weakly integrated across fiscal and governance systems.

Key Findings

The table below summarises Mozambique’s performance across the four thematic areas:

Domestic Resource Mobilisation (DRM), Public Financial Management (PFM), Statistical Capacity, and Anti-Corruption - using a **four-point A–D scale**. The scale reflects both institutional strength and reform momentum (see Annex 1 for details):

A = Strong, B = Moderately Strong, C = Moderately Adequate, D = Weak.

The table presents the overall assessment, key drivers and barriers to change.

Overall Assessment

Across all four governance areas, Mozambique’s systems are assessed as **weak (D)**. Reform frameworks are either non-existent or consist of multiple initiatives that exist largely on paper, lacking genuine political commitment. While there was notable reform momentum across all four areas during the 1990s and 2000s, progress has largely stalled - or even regressed - since around 2010–2015, leading to a deterioration in many sectors. Political interference and weak institutional independence have become the norm. These are not anomalies but rather outcomes of deliberate design and political intent. Consequently, the potential for meaningful progress remains low unless substantial political change occurs as part of a broader reform process.

Thematic Area	Overall Rating	Summary Judgement	Main Drivers of Change	Main Barriers to Change
Domestic Resource Mobilisation (DRM)	C – Moderately Adequate	Well function revenue authority (ATM) but ridden with problems of corruption and exemptions in the customs sector. Lack of capacity in control of revenues from Liquefied Natural Gas (LNG)	LNG development will force change.	Provision of tax exemption is constant temptations for the Frelimo political leadership, many vested interests among politically exposed persons.
Public Financial Management (PFM)	D – Weak	Country’s macro-economic stability in danger: High debt and constant fiscal deficits. High risk of national default. Low capacity for financing welfare and redistribution.	Good capacity with Min. of Finance, the Central Bank (BM) and the Supreme Audit Institution (TA).	Frelimo will have many vested interests in PFM leakage.
Statistical Capacity (NSS)	C – Moderately Adequate	Available capacity within the NSS (BM and INE in particular), but much		The government lacks interest and commitment

Thematic Area	Overall Rating	Summary Judgement	Main Drivers of Change	Main Barriers to Change
		fragmentation of data and statistical efforts.		to improve and use statistics.
Anti-Corruption (ACA)	D – Weak	Some capacity in the Central office for combatting corruption (GCCC), Attorney General (PGR) and TA, but these institutions suffer from lack of resources and political interference. They are not equipped to work properly.	CSOs and media, political opposition.	The Frelimo party-state system is a main blocking factor.

Conclusion

While frameworks for reform exist, their implementation remains uneven and highly vulnerable to political interference. At present, the political economy of the party-state regime - lacking visible reform-minded faction - offers bleak prospects for meaningful change. Sustained donor engagement, non-governmental actors, and strengthened institutional independence will be critical to advancing accountability, transparency, and fiscal resilience. However, cooperation from the current regime is likely to extend only as far as necessary to maintain the appearance of compliance.

1 Introduction²

This report assesses Mozambique’s governance and public finance systems across four key areas: **Domestic Resource Mobilization (DRM), Public Financial Management (PFM), Statistical Capacity, and Anti-Corruption**. It establishes a reference point for Norad’s *Governance and Public Finance portfolio* engagement upon which future progress in Mozambique can be measured within these four areas. The purpose is to provide contextual knowledge that informs priorities within the portfolio, establishes a foundation for tracking developments over time, and identifies potential contributions from the portfolio to such developments.

To “set the stage” we will address the following:

- 1) The evolving global context.
- 2) The current domestic context, with particular attention to the Frelimo government’s declining legitimacy after the poorly managed October 2024 elections and the ensuing months of civil unrest.
- 3) The present conditions of political and military instability in the wake of the riots and the continuing conflict in the north.

This background will provide the foundation for discussing the potential implications for DRM, PFM, Statistical Capacity and Anti-corruption efforts in Mozambique.

Mozambique has once again become a heavily indebted country. The government is running a significant fiscal deficit, and public finances are severely unbalanced. Domestic revenue mobilisation appears further from meeting the government’s obligations than it has been for a long time. However, these challenges are deeply rooted in the political economy of the 50-year-old Frelimo regime – a reality illustrated by the following news stories.

An IMF mission visited Maputo in early 2025, and, on 5 March, issued a notably bleak assessment of Mozambique’s economic outlook.³

Economic activity contracted sharply in the last quarter of 2024, reflecting the impact of social unrest. Real GDP declined -4.9% (yoy) in 2024Q4 from growth of 3.7% (yoy) in 2024Q3. Overall growth in 2024 was 1.9%.

It continued:

Fiscal consolidation in 2025 is necessary to secure fiscal and debt sustainability and preserve macroeconomic stability. Wage bill spending overruns continue crowding out

² Published literature is cited using the author–date system in brackets, with full references listed in the bibliography at the end. Statistical databases and news items available only as web pages are provided as hyperlinks in the footnotes.

³ See IMF at <https://www.imf.org/en/News/Articles/2025/03/05/pr-2554-mozambique-imf-staff-completes-visit-to-mozambique>

important spending priorities including social transfers and infrastructure. Rationalizing wage bill spending and reducing tax exemptions should underpin fiscal consolidation, social spending should be prioritized, and debt management could be further strengthened to avoid arrears.

The Mozambican government did not accede to the IMF's recommendations and demands to reduce the public sector wage bill. On 18 April 2025, the IMF mission to Maputo released a statement that - despite its restrained language - made clear the seriousness of the situation:

[...] the Mozambican authorities and IMF staff have reached an understanding not to proceed with the remaining Reviews under the ECF-supported arrangement. To better align IMF support with the new government's priorities and vision, the Mozambican authorities have requested the initiation of discussions for a new IMF program. Discussions with IMF staff will begin in the period ahead.⁴

Why is it so difficult for the government to meet the IMF demands? For the IMF, reducing the public sector wage bill and cutting tax exemptions may appear as straightforward technocratic reforms. For the Mozambican government, however, these are profoundly political issues. Cutting salaries or jobs in the public sector – particularly in the education and health sectors - is likely to provoke widespread discontent (as we discuss below). Much of the government's support base, on which the Frelimo regime depends for survival, consists precisely of public sector employees, to the extent that they genuinely exist. In September 2025, the Minister of State Administration and Public Services admitted the existence of nearly 19,000 “ghost workers” on the state payroll, the result of various ‘schemes’ and acts of corruption.⁵ This comes in addition to the 7000 non-existent soldiers discovered on the Armed Forces’ payroll in 2022.⁶ Even when some ghost workers are removed, others tend to reappear, as the fraud is organised by networks of senior and junior officials acting in collusion with banks and oversight institutions.⁷ Removing ghost workers thus means cutting into the very privileges that sustain the Frelimo regime's political support base. Similarly, tax exemptions are not the product of a deliberate strategy to attract investment, but rather privileges granted to those with influence over the tax authorities and political connections within the Frelimo elite itself.

One commentator lamented that in Mozambique ‘the dead are working while the living remain unemployed’, expressing outrage at the injustice, pervasive corruption, and complete lack of transparency that allow this situation to persist.⁸

⁴ <https://www.imf.org/en/News/Articles/2025/04/18/pr25115-mozambique-imf-statement-on-mozambique>

⁵ See <https://sapo.pt/artigo/mocambique-identificou-18-mil-funcionarios-fantasma-este-ano-68dae24f185248a2ce3047ae>

⁶ See <https://cartamz.com/destaque/46619/saida-dos-supostos-18-mil-funcionarios-fantasma-so-abre-espaco-para-6-mil-postos-de-emprego/>

⁷ <https://www.indicomagazine.site/2025/09/damiaio-cumbane-alerta-para-mais-de-30.html>

⁸ <https://moz24h.co.mz/quando-ate-os-mortos-trabalham-e-os-vivos-ficam-desempregados/>

During the first and second quarters of 2025, both the global and domestic context changed substantially - developments that have done little to benefit the Mozambican economy. The economy continued to decline, contracting with 3,9 per cent and 0,9 per cent in first and second quarters, respectively (BdM, 2025), effectively erasing all growth achieved in 2023 and 2024. The Trump administration’s decision to withdraw most of the country’s official development assistance (ODA) will further exacerbate this downward trend.

However, the central question for the Mozambican economy in 2025 remains the same as it has been for several years: will the consortium led by TotalEnergies resume construction of the large LNG facility in Cabo Delgado? In October 2025 it lifted its declaration of *force majeure*, after a four-year hiatus. However, when it did, it simultaneously renewed its heavy demands on the government for the renegotiation of conditions (more on this below). This single factor underpins the IMF’s optimistic projection that Mozambique’s economy will recover from its current recession and achieve double-digit growth in 2030, as illustrated in Figure 1 (IMF, 2024, 1):

Public debt is assessed as sustainable in a forward-looking sense because a large share of projected future borrowing reflects the state’s participation in large LNG projects.

But what if the LNG projects fail to materialize over the next 5–10 years? As shown in Figure 1, the IMF has historically overestimated Mozambique’s economic performance, projecting overly optimistic GDP growth figures and thereby contributing to an unsound “economy of expectation” (Frynas and Buur, 2020; Cust and Mihalyi, 2017).

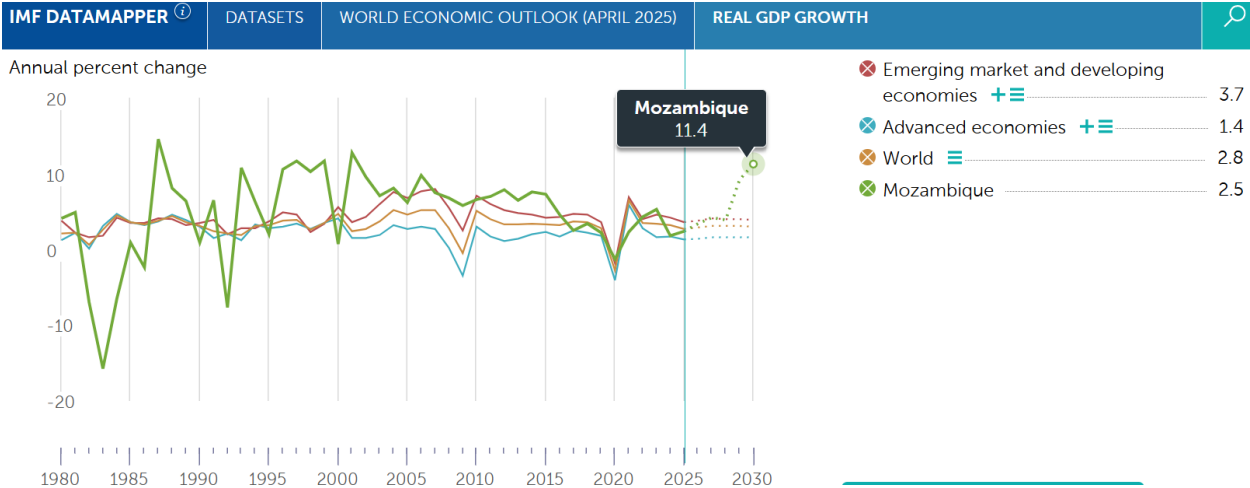


Figure 1: IMF's expectations for future growth in Mozambique

Source: IMF Datamapper⁹

⁹ https://www.imf.org/external/datamapper/NGDP_RPCH@WEO/OEMDC/ADVEC/WEOWORLD/MOZ (last accessed on 3 October 2025)

TotalEnergies is seeking to renegotiate the project terms before resuming operations, and Mozambique finds itself in a weak negotiating position. The country is facing a multinational corporation that in 2023 reported profits of USD 21,4 billion - slightly exceeding Mozambique's GDP for the same year.

1.1 A more unpredictable global context

Trump's trade war and U.S. policy toward Mozambique. The United States role in Mozambique, and its policies toward the country, remain uncertain under the Trump administration's shifting and often ambiguous foreign policy positions. On one hand, the US government has significantly reduced its official development assistance by terminating all USAID programmes in Mozambique. On the other hand, the U.S. Export-Import (EXIM) Bank has approved its largest loan to date - USD 4.7 billion - for the LNG project led by TotalEnergies in northern Mozambique.¹⁰ This move has been widely interpreted as a signal of renewed U.S. interest in advancing its commercial footprint in Mozambique while seeking to maintain strategic influence amid intensifying competition from other powers. Recently, both Qatar¹¹ and the United Arab Emirates (UAE) have made overtures to Mozambique, offering large-scale development financing. The UAE's state-owned oil company, ADNOC, has also acquired a significant share in the leading LNG consortium in Cabo Delgado.¹² Meanwhile, China continues to maintain a strong and expanding presence in the country. Finally, given that Mozambique conducts relatively limited direct trade with the United States - the U.S. barely appears among Mozambique's top 20 export destinations and ranks around 12th among import sources¹³ - the new tariff regimes introduced under Trump's trade policies are not expected to pose an immediate challenge for Mozambique.

A decline in foreign aid inflows is anticipated from both bilateral donors, particularly USAID and the United Kingdom's Foreign, Commonwealth & Development Office (FCDO), as well as from several multilateral agencies. Sweden has announced its intentions to end its country programme in 2026. This only adds to the overall tendency of decline of development aid as share of GDP financing to Mozambique during the last ten years or so. Figure 2 illustrates the declining trend in grants as a with a notable but temporary rebound during the COVID-19 years (UNU-WIDER, 2023).

¹⁰ See Reuters at <https://www.reuters.com/business/energy/us-frees-up-almost-47-billion-loan-totalenergies-mozambique-gas-project-ft-2025-03-13/>

¹¹ See Reuters at <https://www.reuters.com/business/energy/qatars-al-mansour-commits-invest-20-billion-mozambique-2025-08-27/>

¹² See Offshore Energy at <https://www.offshore-energy.biz/adnocs-african-footprint-grows-with-acquisition-of-stake-in-block-off-mozambique/>

¹³ See <https://tradingeconomics.com/mozambique/exports-by-country>

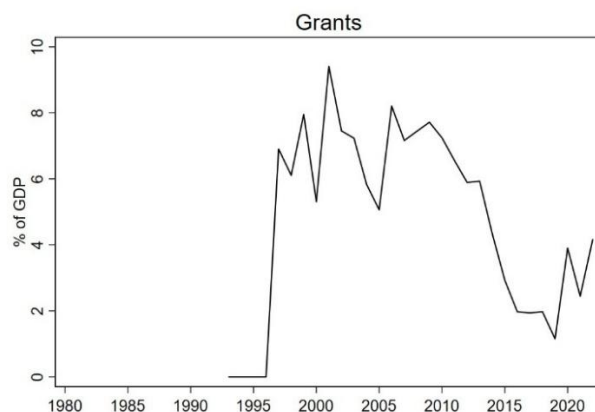


Figure 2: The falling tendency of foreign grants (UNU-WIDER, 2023)¹⁴

As in the three other countries, these aid cuts will have particularly severe consequences for the health sector, and especially for programmes targeting HIV/AIDS and other major diseases (UNICEF, 2025). In 2024, approximately two-thirds of Mozambique’s HIV/AIDS programme was funded by the United States. This funding gap is expected to persist unless alternative sources of support emerge. Furthermore, aid reductions have also affected projects in agriculture, education and infrastructure – in addition to around 2500 jobs lost as a direct effect. Given the ongoing debt and fiscal crisis, the Mozambican government is in no position to offset these losses by reallocating domestic budgets to sectors affected by the aid cuts.

1.2 Domestic context following the elections in October 2024

Concessions or more authoritarian rule? The new government of Daniel Chapo – Frelimo’s candidate – faced a steep uphill battle from the start. Following the October 2024 elections, the political situation quickly descended into turmoil as Frelimo-controlled institutions failed to lend legitimacy to the party’s declared victory. This triggered a three-month wave of nationwide demonstrations, protesting alleged electoral fraud and expressing support for the leading opposition candidate, Venâncio Mondlane. The movement was as much anti-Frelimo as it was pro-opposition. In several areas, demonstrations escalated into what resembled the early stages of an uprising against state authorities. Common targets included the police and irregular security forces, along with their vehicles and stations, Frelimo party offices, businesses linked to prominent Frelimo figures, and foreign companies perceived as complicit with the government in disregarding local communities’ needs and interests (Feijó and Chiúre, 2025). During this period, another armed opposition group - the *Naparamas*, a militia based in Zambezia and Nampula - joined the uprising against Frelimo authorities, gaining significant prominence. The popular

¹⁴ Grants include transfers from other government units (foreign) and international organisations. See details in Opiel, McNabb and Chachu (2021).

movement, or uprising, persisted well into January 2025. At present, President Chapo has called for an extensive “national dialogue process”. However, the main opposition leader, Venâncio Mondlane, has not been included in this initiative.

The uprising’s economic impact. The uprising dealt a severe blow to government revenue and had far-reaching economic repercussions across multiple sectors. Trade and business activities slowed sharply or came to a complete standstill, partly due to the ‘*destruction of more than 955 economic and social establishments*’, according to government figures (MPD, 2025: 6). Several domestic and international companies declared *force majeure*, further deepening the crisis and contributing to a recession the following year. Government revenues were significantly affected as well. Tax and VAT receipts declined across the board amid widespread disruption of business operations. The demonstrations also directly undermined revenue collection in at least two key areas: Protesters blocked border crossings and ports for extended periods, reducing traffic to a trickle. One tax official reported that a three-day border closure caused by demonstrators cost approximately USD 70 million in losses.¹⁵ The prolonged closure of the Ressano Garcia border post with South Africa – the country’s main trade and transport lifeline – was particularly severe and unprecedented. Protesters also targeted toll stations along national highways, many of which were ransacked or destroyed (Feijó and Chiúre, 2025: 4). The toll stations around Maputo were especially affected, though most of their revenue accrues to private contractors closely linked to senior Frelimo members. Meanwhile, the opposition leader Venâncio Mondlane called on citizens to boycott tax payments altogether in November 2024,¹⁶ though it remains too early to determine whether this will have a lasting fiscal impact.

So far, available evidence suggests that the government of Daniel Chapo, as reflected in its revised 2025 budget, is unable to protect spending in the social sectors.

The following sections outline the key issues to be addressed in the study. In addition to examining the core areas, the study will also explore the interactions and intersections among the four focal areas of public administration. It will analyse the political economy of change as it relates to the portfolio - identifying key actors and institutions that may serve as potential levers of reform - and will describe the main sources of resistance to change. Furthermore, the analysis will incorporate cross-cutting dimensions related to the extractive sector, environmental crime, gender equality, and information sharing between government agencies.

According to the **UNDP Gender Inequality Index (GII)** — where a value of zero indicates full gender equality and one indicates maximal inequality across reproductive health, empowerment and labour market dimensions — **Mozambique’s GII score of 0.479** signals substantial gender

¹⁵ See Mozambique Times at <https://moztimes.com/en/ressano-garcia-border-re-opened-on-friday-after-three-days-of-paralysis/>

¹⁶ See Mondlane’s video blog at <https://www.youtube.com/watch?v=1Hh0uqvBMxo> (last accessed 17 October 2025)

inequality, with ongoing gaps in reproductive health, educational attainment and political representation despite relatively strong labour force participation (UNDP, 2025)

1.3 Organization of the report and qualitative assessments

The remainder of this report is organised as follows: Sections 2, 3, 4 and 5 present assessments for each of the four key areas: Domestic Resource Mobilisation (DRM), Public Finance Management (PFM), Statistical Capacity, and Anti-Corruption. Within each area, we identify key assessment dimensions to evaluate progress, which can be monitored and updated over time. We also provide a qualitative assessment of the current situation based on available information. For this purpose, we apply a **four-point A–D scale** aligned with international diagnostic frameworks such as **PEFA** and **TADAT**. The scale reflects both institutional strength and reform momentum, defined as follows: **A = Strong, B = Moderately Strong, C = Moderately Adequate, D = Weak**.

2 Domestic Resource Mobilisation

This section assesses the Domestic Resource Mobilisation (DRM) in Mozambique, with particular focus on taxation, the composition of domestic revenue, and revenue administration. It also examines the country's capacity for improvement and reviews selected foreign support initiatives in this sector.

Mozambique has never been able to fully finance its public expenditure through domestic revenues alone. The resulting budget deficits have been covered through borrowing and grants from a range international development partners, including Norway.

Much will depend on the anticipated development of the LNG-industry in northern Mozambique, which has the potential to significantly boost national revenue. The World Bank estimates that the industry could create 1.3 million jobs and lower the poverty rate by 13 percentage points (World Bank, 2023a: 14,48). However, there are major caveats. The industry is not yet fully developed, and its progress largely depends on the consortium led by TotalEnergies - the main actor and driving force behind sector. Construction of the gas processing plants has not yet resumed following the 2021 attack on Palma, the town closest to the project site, by Al-Shabab insurgents.

2.1 Composition of domestic revenue

Statistics on domestic revenue mobilization in Mozambique vary across major databases such as those of the OECD, World Bank, IMF and UNU-WIDER. In this report, we focus on what we consider the most reliable, comparable and accessible source, namely the UNU-WIDER Government Revenue Dataset (UNU-WIDER, 2023), and complement it with more recent and detailed information from other sources where necessary. As shown in the UNU-WIDER data

presented in Figure 3, tax revenue accounts for the largest share of domestic revenue, a pattern that has remained consistent since 1980.¹⁷

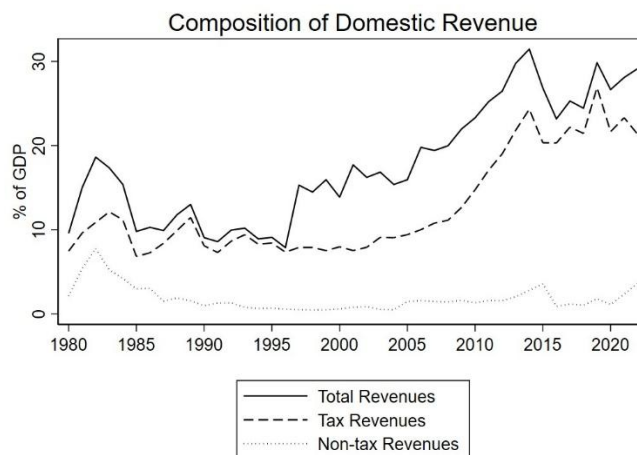


Figure 3: Composition of Domestic Revenue in Mozambique 1980-2022 (UNU-WIDER, 2023)¹⁸

2.2 Revenue administration

The Mozambique Revenue Authority – *Autoridade Tributária de Moçambique* (ATM) – is responsible for collecting the country’s main taxes, excises and customs duties. ATM is one of Africa’s more than twenty semi-autonomous revenue authorities – agencies established to collect revenue from taxation, customs and other sources, and granted resources and operational autonomy to function independently of direct political control.

The ATM was established in 2007, under Law No. 1/2006 of 22 March. The law stipulates that the ATM is headed by a President¹⁹ – currently, Mr. Aníbal Mbalango – who is appointed by the Council of Ministers. The Authority’s headquarter is located in Maputo, and, like most public institutions in Mozambique, it maintains representation at the provincial level. Functionally, the ATM is organised into three General Directorates: one for Customs, one for Taxation, and one for Internal Administration. In addition, it has a Department for Internal Control and a Department for Research, Policies and International Relations.

The ATM has faced sever criticism for its management of a sector frequently associated with corruption. Its official [website](#) functions poorly and provides limited and inconsistent data, further

¹⁷ Non-tax revenues can include penalties, fees, dividends and other venue sources that are not taxes.

¹⁸ Numbers for Total Revenues and Tax Revenues exclude social contributions (compulsory and voluntary social insurance contributions from employers, employees, and the self-employed), see details in Oppel, McNabb and Chachu (2021).

¹⁹ Equivalent to Commissioner General in revenue authorities in Anglophone African countries.

contributing to the overall difficulty of accessing reliable information on government revenue. In practise, such information is more readily available from the Ministry of Finance.

Municipalities in Mozambique collect revenue at the local level. The country has 65 municipalities (or *autarquias*) authorised to collect various fees, levies and duties - such as rental charges and tourism-related commissions, including hotel licensing fees - as regulated under law 1/2008. The municipalities are intended to be largely self-financing through their own revenue generation. However, in practice they continue to rely heavily on public transfers from the *Municipal Compensation Fund* - a mechanism somewhat paradoxically named given its intended purpose (CIP 2025; Drossos et al. 2021).

Several studies have highlighted the limited capacity of municipalities in Mozambique to finance their current expenditures through locally collected revenue (Drossos et al., 2021). Nguenga et.al (2012: 209) found that, on average, local taxation accounted for only 16 per cent of municipalities' own revenue – although larger cities performed somewhat better. The remainder of municipal income derives primarily from central government transfers and the collection of local fees and licences.

While Maputo and Matola, the country's two largest cities, are largely self-funded, most other cities and urban municipalities fall well short of this standard. It is also important to note that the majority of Mozambicans still live in rural areas outside municipal jurisdictions, where the local government is administered by centrally appointed District Administrations. These administrations are authorised to collect only minor fees from market stalls and similar activities, which are not classified as taxes.

2.3 Tax revenue

Total tax revenues

How does Mozambique's tax revenue collection compare over time and across countries? Mozambique's tax-to-GDP ratio has remained relatively high since the onset of the resource commodity boom in the early 2000s, as illustrated in Figure 4 below. According to estimates from UNU-WIDER (2023) and the World Bank, Mozambique's tax-to-GDP ratio stood at 21.3% and 21.8%, respectively, in 2022 - placing the country among those with the highest tax-to-GDP ratios in sub-Saharan Africa.

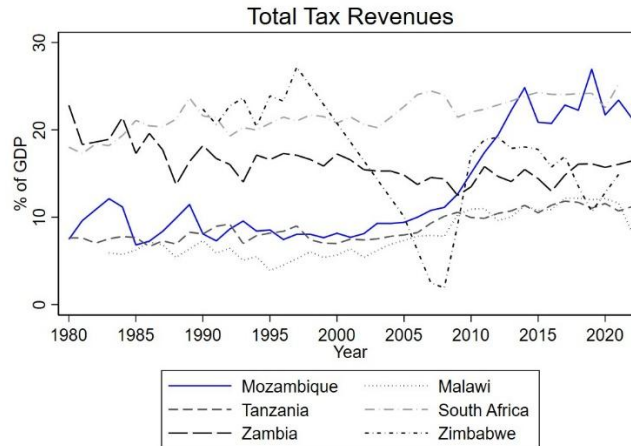


Figure 4: Tax-GDP-ratio in Mozambique and Neighbouring Countries (UNU-WIDER, 2023)²⁰

There are several possible – and likely overlapping – explanations for Mozambique’s unusually high tax-to-GDP ratio. One possibility is that the country has been relatively effective in collecting taxes from large taxpayers, particularly in the extractive industries. However, this effect may be offset by the widespread use of tax incentives or tax holidays. According to the (World Bank, 2023c: 37), the most plausible explanation is a “possible underestimation of GDP (denominator effect)”, meaning that “some economic activities that contribute to tax revenue collection may not be well captured in the data sources used for national accounts compilation”.

Another hypothesis is that leakages within the tax revenue administration may conceal a lower real income. It is also possible that while reported tax collection appear high, the government carries substantial unpaid liabilities to entities owed tax refunds – in other words, reported tax revenue may be overstated.

Composition of tax revenues

Figure 5 illustrates the evolution of tax revenues from indirect taxes (collected by an entity in the supply chain, such as taxes on consumption, sales and trade) and direct taxes (such as personal and corporate income taxes and property taxes), respectively. It shows that, like in many other lower- and lower-middle income countries, indirect taxes have historically constituted the main tax base over the last three decades. However, direct taxes have increased significantly as a share of GDP since 2005, and by 2022 the direct-tax-to-GDP ratio exceeded the indirect-tax-to-GDP ratio (11.2% and 10.1%, respectively). This direct-to-GDP ratio is higher than that of Mozambique’s peers in Africa (World Bank, 2023: 38).

Examining the decomposition of indirect taxes in the left panel, the figure shows that VAT is the most important component, accounting for 6.7% of GDP in 2022. However, VAT collection has

²⁰ Total Tax Revenues excluding social contributions (compulsory and voluntary social insurance contributions from employers, employees, and the self-employed), see details in Opper, McNabb and Chachu (2021).

stagnated in recent years (see also World Bank, 2023: 38). Collections from excise and trade taxes have remained low throughout the period.

Regarding direct taxes, the right panel of figure 5 shows that the increase in revenues since 2005 has been driven by higher collections from both corporate and personal income taxes, which accounted for 5.8% and 3.9% of GDP, respectively, in 2021 (UNU-WIDER, 2023). The Government of Mozambique (2022) reported that, in the five years preceding 2022, income tax was the most important source of revenue, averaging slightly above 40% of total tax revenues, although with a declining trend.

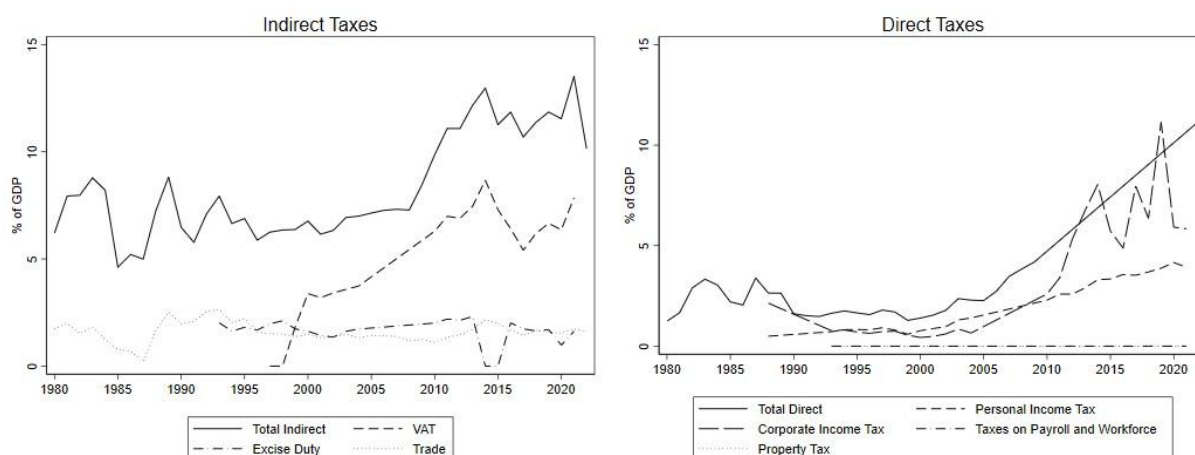


Figure 5: Revenue from indirect (left panel) and direct (right panel) taxes as % of GDP 1980-2022 (UNU-WIDER, 2023) ²¹

2.4 Tax base and potential for broadening the revenue base

Ending tax exemptions and reliefs

Given that tax rates in Mozambique are already relatively high, both the World Bank and the IMF (World Bank, 2023c; IMF, 2024a) consistently emphasize the need to phase out tax exemptions and reliefs granted to privileged businesses in order to strengthen revenue collection and improve the fiscal balance. Another key recommendation is to reduce VAT exemptions or reliefs on essential consumer goods. Despite offering generous incentives to industries with high revenue potential, the IMF has expressed particular concern over the extensive use of VAT exemptions introduced by the government partly to ease political pressures by exempting key consumer products.

Both measures are politically challenging. The first would run counter to the personal and economic interests of key support groups within the Frelimo regime, while the second would risk

²¹ **Total Indirect:** comprise the sum of taxes on goods and services, international trade and transactions, and other taxes, and excludes social contributions. **Total Direct:** Includes taxes on income, profits and capital gains, taxes on payroll and workforce as well as taxes on property, and excludes social contributions. See details in Oppel, McNabb and Chachu (2021).

further alienating a population already burdened by high consumer prices. In fact, sharp increases in the cost of basic goods previously triggered major riots in 2008 and 2010. Discontent over transport-related taxation was also a key factor behind the 2024/25 protests, as reflected in the systematic destruction of toll booths around Maputo.

Expanding the tax base: Taxing the informal sector

Mozambique's business association regularly voices concern over the heavy tax burden imposed on the formal business sector, noting that an estimated 70–80% of businesses operate in the informal sector and therefore do not pay direct taxes.²²

The informal sector - comprising trade and commerce in legal goods and services, and distinct from Mozambique's large illicit and criminal economy - is inherently difficult to tax. It largely consists of semi-authorized activities managed by local governments in rural districts and urban municipalities, such as the taxation of markets and transport services. It also includes informal domestic trade and cross-border transactions that fall outside the scope of customs and excise taxation.

There is considerable potential for increasing government revenue in Mozambique if a greater share of commercial activity - from petty trade to semi-formal small and medium-sized enterprises - were brought into the tax net, even at modest rates. However, this remains a highly unrealistic prospect without a fundamental transformation of the regime, either through the establishment of a new social contract or through an unprecedented improvement in bureaucratic efficiency and tax enforcement. Both scenarios appear unlikely under the current political economy, in which taxation is undermined by the collusion between tax enforcers and economic actors seeking to evade payment.

Revenue from the offshore gas sector

Revenues from Mozambique's offshore gas sector remain modest. For 2025, the government projects that revenue from LNG production at the Coral Sul field - operated by ENI on a floating platform since 2022 - will amount to approximately 5 billion meticaís, or about USD 80 million (Rep. of Moz, 2025: 46). This represents only 1.3% of total domestic revenue. Since 2024, 40% of revenue from future petroleum exploration has been earmarked for the Sovereign Wealth Fund of Mozambique (Fundo Soberano de Moçambique, FSM), managed by the Bank of Mozambique. Consequently, of the USD 80 million, around USD 48 million will finance the state budget, while USD 32 million will be allocated to the FSM. Considering the budget deficit, LNG revenues currently contribute less than 0.5% of the state budget - despite the sector's frequent portrayal as a potential cornerstone of Mozambique's economic future.

²² See for instance <https://magazinesradar.blogspot.com/2025/10/mocambique-sob-pessao-fmi-e.html>

Taxing the extractive industries – LNG is not a panacea

For at least three decades, the extractive industries have formed the cornerstone of the Frelimo regime’s political strategy - the perceived solution to every challenge: achieving national development goals, consolidating political power, and facilitating the enrichment of the Frelimo elite itself. Consequently, the governance and taxation of the extractive sector remain among the most critical issues in Mozambican politics.

The anti-corruption NGO **Centre for Public Integrity (CIP)** has recently highlighted that Mozambique is failing to adequately monitor and verify cost claims submitted by the multinational companies operating in the extractive industries. These costs are deductible against future tax liabilities, meaning that each additional cost claimed by investors delays the point at which Mozambique will begin to benefit financially from its offshore gas resources. According to CIP, this could amount to several billion dollars in lost revenue and represents a “total negligence of historical proportions” (CIP, 2025: 12). The **potential losses are estimated to equal the country’s entire national debt.**

At the time of writing, the Mozambican government is engaged in a tug-of-war with **TotalEnergies**, the company leading the consortium responsible for developing the onshore liquefied natural gas (LNG) facility in Palma district, Cabo Delgado. In October 2025, TotalEnergies informed the Mozambican government that it is lifting the *force majeure* it declared in 2021 following attacks by Al-Shabaab insurgents. Although Rwandan troops have secured the perimeter of the gas development site, making it likely safe enough to resume operations, the project’s overall cost has risen significantly due to heightened security requirements. According to the reputable outlet *Zitamar News*, TotalEnergies seemed for months to condition the resumption of construction on a renegotiated agreement that would allow it to write off up to USD 4.5 billion in security and related expenses as recoverable costs against its future tax obligations.²³ The government resisted these demands, as such concessions would further postpone the point at which Mozambique begins to receive substantial revenues from its natural gas - potentially delaying this until well into the 2030s. Under current arrangements, investing companies will only begin paying corporate income tax once they have fully recouped their initial costs (IMF, 2024a: 5). The current status is that even if the force majeure is lifted, TotalEnergies has not abandoned its USD 4,5 billion demand on the government. It might continue to further delay construction unless Mozambique accepts that demand.²⁴

The IMF continues to express optimism about the prospects of Mozambique’s LNG industry, yet its own projections also underscore the sector’s limitations. In its 2024 report, the IMF estimates that by 2028, “when the first onshore project starts production”, government revenues from LNG

²³ See Zitamar at <https://www.zitamar.com/totalenergies-bills-government-for-billions-in-exchange-for-restarting-gas-project/?ref=zitamar-daily-briefing-newsletter> (last accessed on 6 October 2025).

²⁴ See Reuters at <https://www.reuters.com/business/energy/totalenergies-tells-mozambique-lng-project-costs-have-risen-by-45-billion-2025-10-26/> (last accessed on 30 October 2025).

will amount to only 0.6% of GDP. As of 2025, however, it already appears unlikely that onshore production will begin by 2028, let alone generate significant fiscal returns. Even if revenues were to reach 0.6% of GDP by that year, this would compare unfavourably with the 4.2% of GDP the government is projected to spend on interest payments on its debt in 2025 (Rep. of Moz, 2025: 63).

Tax exemptions and costly privileges

The most enduring debate over tax exemptions in Mozambique concerns the so-called *mega-projects* - large-scale investments, primarily in the extractive industries, dominated by foreign investors and often structured as “joint ventures” with members of the Mozambican ruling elite. For example, the British-Irish mining company **Kenmare**, which operates in Nampula Province extracting valuable minerals from heavy sands, benefits from a highly favourable tax regime. The company currently pays only a 1% royalty on its revenues and contributes a total of about USD 20 million in taxes and fees to Mozambique.²⁵ This is modest when compared with its profits from Mozambican operations: USD 64 million in 2022 and USD 130 million in 2023.

Similarly, Mozambique’s largest industrial project - the **Mozal aluminium smelter** in Boane, near Maputo - has, since its establishment in the early 2000s, benefited from an exceptionally favourable electricity agreement. The company purchases power at a heavily discounted rate from the **Cahora Bassa hydropower plant** (Africa’s third largest), supplied indirectly through the South African utility **Eskom**.²⁶ Mozal is currently threatening to suspend operations unless this preferential energy arrangement is renewed.

Tax evasion

In this section, we present citizens’ perceptions of taxes and the tax authority, drawing on publicly available data from **Afrobarometer**, which regularly surveys representative samples of Mozambicans about their views and experiences.

²⁵ <https://www.zitamar.com/inside-the-governments-negotiations-over-mozal-and-kenmare/>

²⁶ <https://www.zitamar.com/inside-the-governments-negotiations-over-mozal-and-kenmare/>

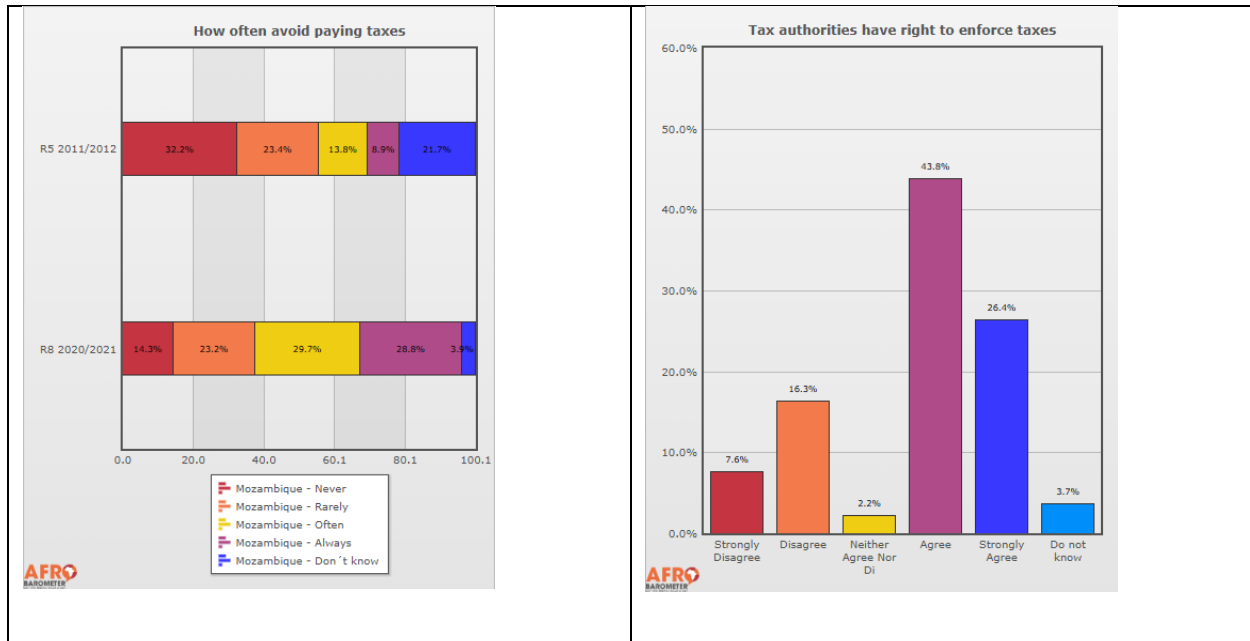


Figure 6: Perceived tax avoidance (left), and right to enforce taxes (right) (Afrobarometer, 2012; 2022)

The left panel of Figure 6 shows that in 2021, 37.5% of respondents believed that others *never* or *rarely* avoid paying the taxes they owe to the government. This represents a substantial decline from 55.6% in 2012, suggesting that citizens perceive tax avoidance as having become more widespread. Nevertheless, a large majority of respondents (70%) still believe that the tax authority has the right to enforce tax collection.

We believe that the Afrobarometer findings reflect a persistent theme in public discourse. Mozambicans generally do not oppose paying taxes or question the central government's legitimacy in collecting them. However, they express strong discontent with two key issues: (a) *Tax injustice* - the perception that privileged groups with close ties to the regime receive unfair exemptions, while ordinary citizens bear a disproportionate tax burden; and (b) *Lack of visible benefits* - the belief that tax revenues fail to translate into tangible public improvements, reinforcing suspicions that funds are diverted to serve the interests of the political elite.

2.5 Qualitative assessment

In this section, we summarize the current status of the Domestic Revenue Mobilization (DRM) thematic area and provide an overall assessment of its key strengths and weaknesses. Table 1 presents an evaluative overview of the DRM thematic area.

Assessment Area	Short Summary/Justification	Qualitative Rating
Revenue Collection	High tax-to-GDP ratio, performing better than neighbouring countries	B
Revenue Target Performance	Mostly sticks to budget targets	A
Institutional Revenue Composition	High reliance on large firms and formal sector taxation	B
Progress in Tax Base Expansion	No apparent reform to expand to informal sector	C
Informal Sector Taxation Strategy	Slow progress	D
Exemption Reform	Political resistance and vested interests within Frelimo	D
Administrative Capacity	Recruitment and training of staff in ATM with backing by development partners/donors	B
Popular legitimacy for taxation	Popular revolts against taxation and revenue collection	D
Taxing the LNG upstart sector	A critical lack of competence and capacity revealed	D

Table 1: Summary of qualitative judgements for DRM

The main strengths and weaknesses of Mozambique’s Domestic Revenue Mobilization (DRM) system can be summarized as follows:

- **Strengths:** The contribution of the formal sector, mega-projects, and SMEs to the tax base is relatively high. Internet-based tax administration systems are improving, and several donor-supported reform initiatives are underway. In addition, there has been sustained investment in the long-term training of staff within the Tax Authority of Mozambique (ATM).
- **Adequacy:** Recent revenue collection targets have been met or slightly exceeded (Mambo et al., 2024: 8), and the tax-to-GDP ratio remains high compared to regional peers. However, significant structural weaknesses persist.
- **Weaknesses:** Disproportionate taxation of the formal sector; widespread tax exemptions; an extensive informal sector that remains largely under-taxed; a significant backlog of tax disputes in the Administrative Court; and persistent political interference in revenue authorities.
- **Potential vs. Risk:** There is significant potential to broaden the tax base and improve compliance - provided that politically sensitive reforms, such as reducing exemptions and taxing the informal sector, are implemented. However, there is a high risk that, despite nominal political commitment to expanding the tax base and increasing revenue, entrenched patronage networks will continue to generate numerous exemptions, both minor and highly consequential.

Mozambique’s DRM framework has seen notable improvements in tax administration and compliance mechanisms. However, persistent challenges remain - most notably, the continued difficulty of taxing the informal sector and managing widespread tax exemptions. Many unresolved tax disputes also undermine overall performance. The system remains heavily

dependent on large firms and formal sector taxation, while significant potential remains untapped in the informal sector, non-tax revenues, and the LNG industry. In particular, a rigorous review of companies' "valid deductions" in the extractive sector could yield several billion dollars in additional revenue.

Overall, Mozambique's DRM system is rated C (moderately adequate) - reflecting substantial unrealized potential but high vulnerability to political trade-offs. Achieving a *Strong* rating would require fundamental reforms to enhance institutional capacity and efficiency - reforms that, in practice, may only be possible under a renewed socio-political contract.

2.6 The political economy of change of the DRM system

Analysing the **political economy of change** requires understanding not only technical and institutional dynamics but also **power relations, incentives, and resistance to reform**. Below is an analysis of the key drivers of change and the **main sources of opposition** within the DRM domain.

Drivers of Change

- **President and the Executive:** President Chapo has made pronouncement in the direction of enlarging the tax base in the informal sector, cutting VAT on consumer products.²⁷
- **Mozambique Revenue Authority (ATM):** The ATM plays a central role in the implementation of all tax reforms. However, its autonomy has been increasingly constrained over the past decade, as it remains under tight political control.
- **External donor support:** The **IMF** and the **World Bank, through their lending programmes and political dialogue**, remain the most significant drivers of reform in Mozambique's DRM reform framework. These institutions as well as bilateral donors like the UK, Sweden and Norway (see below) provide technical assistance and financial support related to the DRM process. However, the reform process is struggling although technical competence institutional capacity is improved in certain areas. The authorities also object to tax reforms in political sensitive areas such as increasing VAT and eliminating tax exemptions and holidays
- **Private sector platforms** (the business associations): They can influence tax reforms, particularly those aimed at improving simplification and predictability, but they also have vested interests in prioritizing the taxation of foreign businesses and general direct income taxes over domestic business taxation.

²⁷ See Deutsche Welle, at <https://www.dw.com/pt-002/mo%C3%A7ambique-chapo-admite-possibilidade-de-retirar-iva-aliviar-custo-de-vida/a-71632091>

Opposition to Change

- **Political elites and campaign financiers:** Tax exemptions are granted as rewards for political loyalty.
- **Large business lobbies:** Some powerful firms benefit from **informal arrangements**, exemptions, or under-taxation, and resist efforts to broaden the base or close loopholes.
- **Informal sector:** Although the informal sector is large and expanding, it remains politically challenging for the Frelimo regime to tax it effectively. The removal of subsidies and VAT exemptions has historically triggered episodes of civil unrest. Moreover, one reason the informal sector persists is the lack of effective local enforcement, often due to political considerations or corruption-related factors.
- **Within ATM itself:** Corruption and resistance from rent-seeking officials can significantly undermine reform efforts. As in many other major institutions in Mozambique, political interference in recruitment and enforcement remains pervasive.

2.7 External support to strengthening the tax system

Bilateral and multilateral development agencies have supported efforts to strengthen Mozambique's tax system for many years. These efforts have built technical and institutional capacity in certain areas, but have often faced persistent challenges, including limited trust and coordination among stakeholders, allegations of corruption, and inconsistent commitment over time.

The Norwegian support revolves around Norad's technical assistance to the Ministry of Finance in the management of LNG revenues. This is implemented through a five-year programme (2024-28) centred around the sovereign wealth fund (FSM) and covers FSM integration into budget systems, FSM investments, revenue forecasting and public information. It is funded through the "Tax for development" programme and is implemented through a Norwegian consultancy company (Design Partner) through frequent short-term visits coupled with remote assessments of documents.

3 Public Finance Management

The Mozambican public sector comprises the assets of the central state and its administrative subdivisions across 11 provinces and 154 districts (further divided into *postos administrativos* and *localidades*), as well as 63 urban municipalities with elected local governments and a degree of autonomy. It also includes state-owned enterprises (SOEs), public agencies, and institutes. This large and complex system of entities provides numerous opportunities for funds and assets to take unplanned or undocumented paths. Corruption and mismanagement within this institutional complexity make sound public financial management particularly challenging. For example, in

2025, the Minister of State Administration and Public Services acknowledged the existence of at least 18,000 “ghost workers” on the state payroll, attributed to various “schemes” and acts of corruption.²⁸

Before examining the Public Finance Management (PFM) system from a historical and political economy perspective, it is important first to outline the gravity of the financial context in which PFM operates.

3.1 The economy and the fiscal balance

Mozambique has been through a period of macroeconomic imbalance for almost a decade. The problems came to the fore after 2015, and the Hidden Debts Scandal was both a cause and a trigger of the problems of the public finances.

After sustaining an average growth of 8% a year for more than a decade, in 2016 growth plummeted to levels around the population growth. Externally induced shocks such as hurricanes and the COVID-19 pandemic did little to help the economy, but the fundamental problems and imbalances would have been there even without these. Growth rebounded in the early 2020’s, but in 2025 the economy was once again in technical recession.

The problems are many and compounded. Here is a snapshot:²⁹

- **Poverty** rates have gone up strongly during the last decade (World Bank, 2023b). In 2022 the World Bank now finds that 82% of the population is under its new poverty line of USD 3 per day, and that 85% of the population suffered multidimensional poverty.³⁰ Indeed, the last ten years have been very bad for the poor masses of Mozambique, with no improvement or worsening on most measures of poverty.
- **Growth** has been slowing and remains too weak to meaningfully offset rising unemployment. Although growth rebounded in 2023 following the COVID-19 slowdown, the IMF projects real GDP growth for 2025 at just 2.5%, which is below the country’s population growth rate, currently at 2.9%. However, recent government data showing a 4.6% GDP contraction in the first half of 2025 (BdM, 2025) suggest that even the IMF’s forecast may be overly optimistic. According to the same government figures, GDP growth has exceeded population growth in only 12 of the 22 quarters since 2020. (Rep. of Moz, 2025: 18). GDP per capita (PPP) has not increased at all during the last ten years.
- The Mozambican **foreign/external debt is way too high compared to its GDP** (above 60%). At the end of 2024, total public debt stood at USD 16,3 billion – higher than ever – of which 10 billion (61%) was foreign debt (Rep. of Moz, 2025: 105). Although foreign

²⁸ See <https://sapo.pt/artigo/mocambique-identificou-18-mil-funcionarios-fantasma-este-ano-68dae24f185248a2ce3047ae>

²⁹ We here report mostly the Mozambican government figures, but similar figures and problems can be found in IMF’s reports (IMF, 2024a).

³⁰ See The World Bank’s Poverty and Inequality Platform (PIP) at <https://pip.worldbank.org/country-profiles/MOZ> .

debt has been under control for the last few years, the government has managed to achieve this at the expense of **rapidly increasing the domestic debt**. In the middle of 2025, domestic debt (excluding loans and lease agreements, which are probably many and significant), stood at MTZ 454.4 billion, approximately USD 7.1 billion. That was an increase of domestic debt of USD 600 million since December 2024 (BdM 2025), and an increase of USD 3.5 billion since 2021 (Rep. of Moz, 2025: 105). The IMF points out that outstanding liabilities of state-owned enterprises entail significant macroeconomic and fiscal costs and risks (IMF, 2024b: 3) The large debt, especially the domestic debt, tends to drive up the interest rate (currently around 12%) and slow investment by Mozambicans at home.

- The cost of **servicing the debt has been rising sharply** and is projected to reach MTZ 120 billion (approximately USD 1.9 billion) in 2025 (Rep. of Moz, 2025: 63). Interest payments have increased from 2.7% to 4.2% of GDP between 2021 and 2025. Another indicator of this trend is the ratio of public and publicly guaranteed debt service to GNI (see Figure 7). The temporary decline in debt service observed in 2021 and 2022 reflects the partial moratorium granted by some creditors during the COVID-19 years.

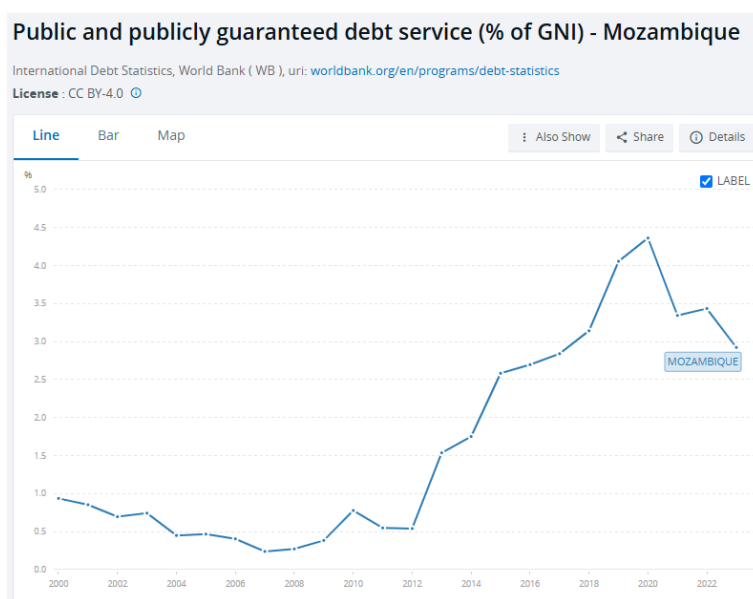


Figure 7: Debt service in Mozambique, 2000-2023 (Source: World Bank data³¹)

- Mozambique has run a strongly **negative current account balance** for more than a decade, even without the mega-projects. Standard Bank refers to the ‘twin deficit burden’ of constant fiscal and current account deficits (Standard Bank, 2025).
- **Fiscal balance remains in deficit**, continuing to exert pressure on government borrowing. The 2025 budget projects a fiscal shortfall of MTZ 126.6 billion (approximately USD 2 billion), equivalent to 8% of the total budget. The IMF anticipates

³¹ World Bank data at <https://data.worldbank.org/indicator/DT.TDS.DPPG.GN.ZS?end=2024&locations=MZ&start=2001>

that the government will improve its fiscal position through enhanced revenue collection and strict limits on public sector payroll spending. As noted in the introduction, however, this represents a political challenge more than a technocratic one for the government.

- Linked to the debt and negative current account balance, **international reserves are scarce**, making access to hard currencies a constant problem for businesses trading with the exterior.
- **Inflation** is a constant threat, having reached very high levels historically. It was controlled in 2024 after having spiked (again) in 2021 and 2022 at 10% and 7%.
- In light of the popular uprising of 2024/25, **increasing revenue collection is politically sensitive and risky for the Frelimo government**, particularly given the limited prospects for significant economic growth. Recent political pressures have, in fact, tended toward reducing or suspending revenue collection in several areas - for example, through VAT exemptions - rather than expanding it. Moreover, during periods of political instability, imposing caps on public sector wages or on the number of individuals receiving salaries, pensions, and benefits proves especially difficult.

All eyes on offshore LNG. For a while now, both the government and the IMF have undersigned the expectation that real improvement in Mozambique's macroeconomic situation will occur when the LNG-industry in the North becomes operative and produce revenue. Evidently, the industry has the potential to create enormous income for investors and for Mozambique (World Bank, 2023a). However, there are two main caveats to this assumption: 1) revenue flow for Mozambique will only start to be significantly high many years after the start of production of the LNG, a date that keeps being postponed (now not before 2030), and 2) the leading consortia on which the LNG-development depend have been delaying its investments and keep doing so – even if it currently looks as though it may actually become a reality.

Meanwhile, **President Chapo announced a recovery plan.** After taking office, his government announced in March the cancellation of the current agreement with the IMF, and the likely renegotiation of another programme. One would have expected clarity about an alternative route for economic stabilisation to face the economic and financial crisis. Some hints came in the Plan for Economic Recovery and Growth (PRECE), announced in September 2025 (MPD, 2025). The key tenet of the plan is an economic stimulus package worth USD 2.75 billion, including USD 800 million in funding for support programmes to SME's, state purchases of local products, new credit lines for businesses. It also sets out to increase state revenue, and measures to lower the cost of living. There are no surprising or fundamentally new ideas or measures in the plan. It will be coordinated by the Minister of Planning and Development (rather than the Minister of the Economy). It is yet to be seen whether this plan will become a real guiding tool for the government or, like with so many other plans laid out by various Mozambican governments, it is soon forgotten as its part-taking institutions return to their daily business. It is therefore concerning that the PRECE recovery plan received no headline on the joint website of the Finance and the Planning

ministries but was uploaded as an archive element three weeks after it was announced, on 6 October 2025.³²

3.2 Strengths and weaknesses of the PFM cycle

The above-mentioned recovery plan inserts itself on top of, or in parallel with, existing planning instruments in use by the government. The main instruments are:

- The Government 5-year plan (*Programa Quinquenal do Governo*, PQG)
- The medium-term fiscal scenario (*Cenário Fiscal de Médio Prazo*, CFMP)
- Strategic plans for sectors and areas, like economic recovery (PRECE), debt management and poverty reduction.
- The annual Social and Economic Plan and Budget (*Plano Económico e Social e Orçamento do Estado*, PESOE)

These planning instruments can be held up against the National Accounts (*Contas Geral do Estado*, CGE), published in reasonable time each year on the website of the Ministry of Finance (previously, the Ministry of Finance and Economy).

Some strengths

The **basic legislative framework and institutional structures necessary to advance public financial management (PFM) in Mozambique are in place**. Although, as discussed below, the PFM system has deteriorated over the past 15 years, a legislative and institutional blueprint still exists, drawing on earlier experiences. The principles and ethos underpinning a system of integrity, accountability, and checks and balances remain within the living memory of many senior civil servants, while a vibrant press and active civil society continue to advocate for transparency and reform. However, the reform-minded technocrats of the era of budget support, good governance, and the broader Washington Consensus have largely disappeared. Nonetheless, these institutions and legal frameworks could be revitalized and effectively utilized under a reform-oriented government.

Similarly, there is a **broad understanding - at least at the central level - of the importance of sound economic reporting** for fostering trust and integrity in the economy. Mozambican authorities routinely endorse the development of new and improved reporting and information-gathering systems across sectors and administrative levels, yet implementation often falls short of these commitments.

³² See PRECE at <https://www.mef.gov.mz/index.php/publicacoes/estudos/2420-prece-2025-2029> (last accessed on 10 October 2025)

The key legislation in PFM is the so-called SISTAFE (Law no. 14/2020 of the 23rd of December), the Law on the System of Financial Administration of the State (*Lei do Sistema de Administração Financeira do Estado, SISTAFE*). It is an improvement on previous versions of SISTAFE and a strong tradition of PFM reforms. It establishes that the so-called PESOE, or the Economic and Social Plan and the State Budget (*Plano Económico e Social e Orçamento do Estado, PESOE*), define the main economic and social goals and the financial policies of the State, including a forecast on revenue, as well as the actions and resources needed to implement the plan. While domestic revenue forecasting has been generally realistic, the expenditure side suffers systematic execution below budget (Mambo et al., 2024). At the centre of the state finances is the single treasury account (STA/CUT) that in principle allows for proper budget allocations, and the subsequent traceable financial flows to lower budgets units and its expenses. The e-SISTAFE is increasingly rolled out to all lower tiers and budget units.

The most recent PEFA assessment identifies the strongest and weakest areas of Mozambique’s PFM system (Drossos et al., 2021: 11–13). The key strengths are summarized in Table 2:³³

PEFA score	Definition	PFM area
A	Best practice (0)	None
B, B+	Above basic (4)	<ul style="list-style-type: none"> – budget scrutiny by the Assembly of the Republic – appropriate process for preparing the budget – revenue administration – the excellent quality of the processes for accessing e-SISTAFE records, which guarantee the integrity of financial data
C, C+	Basic performance (16)	<ul style="list-style-type: none"> – variation in total actual expenditure – variation in revenue execution – decrease in the variance in the composition of expenditure execution (budget reallocations) – budget classification – information on service delivery performance – fiscal risk reports – public asset management – macroeconomic and fiscal forecasting – revenue accounting – predictability of resource allocation – payroll controls – internal controls on non-salary expenditures – internal audit – sub-annual budget reports – annual financial reports – legislative scrutiny of audit reports

Table 2: Summary of PEFA assessment of strengths of Mozambique’s PFM system

A major achievement for Mozambique’s government is that in October 2025 it managed to be released from the FAFT’s grey list of jurisdictions under increased monitoring for money

³³ Author’s translation and rendering

laundering and terrorism financing. The placement on that list since 2022 hampered the country's access to international financial markets and further decreased its credit worthiness. After being put on the list, the government immediately set out to collaborate with international development partners to improve its systems toward meeting the FATF standards (Basel Institute/ICAR³⁴ and the UNODC).³⁵

Despite these recent reforms and systemic improvements, there have for long been underlying weaknesses that will continue to leave Mozambique vulnerable to corruption, wasteful management of public resources, as well as international crime.

The weaknesses

After the collapse in public finances in the 1970s and 1980s, PFM in Mozambique underwent significant reforms in the 1990s and early 2000s to implement a system of transparency with checks and balances. This was much inspired and aided with blueprints and technical inputs by the international development community. Support for the central PFM system that came from the World Bank, the IMF, and the UK's DFID and others was influential in improving tax and customs. In parallel, the UNDP, UNCDF, the German GTZ/GIZ, Austria, Ireland, Norway and many others shared efforts to improve PFM at the provincial and district, and municipal levels, under the heading of decentralisation. The carrot for Mozambique was the large-scale budget support that dominated ODA in the years after 2000. While this resulted in ambitious reform programmes – always under severe stress of donor coordination, conditionality angst and “ownership problems” – resistance by the Mozambican government was always present. In their assessment of PFM history of Mozambique, Cruz et.al. (2021) point out that from around 2010 the PFM system went into decay, as ‘the prospects of large future natural resource revenues started to materialize’ (ibid, 20). The prospect of high revenue gave the Guebuza-regime confidence to manage things with more autonomy, and to ignore the PFM conditionalities imposed by donors. Cruz et. al (2021) conclude that the problem is essentially political, not technical:

The fundamental challenge for Mozambique is for the dominant party to fully recognize the critical importance of a well-functioning domestically owned PFM system for economic and social performance.

This decay can be witnessed in numbers and technical language in the most recent PEFA³⁶ reports and IMF's assessments through its Article IV cooperation. **Two incidents epitomised the decay.**

³⁴ See the Basel Institute at <https://baselgovernance.org/news/mozambique-exits-fatf-grey-list-milestone-strengthening-fight-against-illicit-finance> (last accessed 17 December 2025)

³⁵ See UNODC at https://www.unodc.org/unodc/en/terrorism/latest-news/2023_unodc_unodc-supports-mozambique-to-address-terrorist-financing.html

³⁶ PEFA reports (Public Expenditure and Financial Accountability), in part financed by Norway, for Mozambique can be found at <https://www.pefa.org/country/mozambique> .

At the level of local finances, the so-called “**7 million funds incident**” in the years 2007-09 was a debacle for sound PFM. The USD 7 million funds represented then President Guebuza’s scheme to inject hundreds of millions of dollars of fast cash into the districts, in a mechanism that essentially let the local Frelimo party cadres distribute funding to its local clients. This mechanism marked the utter neglect and bypassing – or outright sabotage – of what the World Bank, UNDP, and many donors had worked meticulously for 15 years to achieve: the linking of local development funding to a local and democratised planning cycle (Orre and Forquilha, 2012). Instead, it was the reaffirmation of utter clientelism and local favouritism, benefitting the re-election of Guebuza in 2009, while resulting in almost no local economic development.

The **Hidden Debt Scandal represented a collapse in the PFM** at the most central level – and a most destructive form of grand corruption. In 2012-13, encouraged by the prospects of gigantic income from the recently discovered offshore gas, Mozambique borrowed USD 2 billion from Credit Suisse and VTB to finance and set up three companies to be run by the secret services (SISE). The then Minister of Finance signed, Manuel Chang, put his signature on the sovereign guarantee for the loans, but did not inform the parliament about it. Goods and services to the companies were to be delivered by Privinvest, a company owned by the French-Lebanese businessman Iskandar Safa. All the USD 2 billion were paid to Privinvest’s accounts in Abu Dhabi. After the discovery of these hidden debts in 2016, it was later found in audits and courtrooms that much of the money was unaccounted for, and what products were delivered were unusable and overpriced (Kroll, 2017). It also turned out that Privinvest had paid hundreds of millions of dollars in kickbacks to bankers in Credit Suisse, and bribes to Mozambican politicians, public servants and other central elite figures, including the Minister of Finance, President Guebuza’s son, his personal secretary, his two top-ranking chiefs of the SISE and several others. When the hidden debt was discovered, it severely impacted Mozambique’s credibility and led to dire economic consequences worth billions of dollars and several million people likely falling into poverty (Cortez et al., 2021).

The **Hidden Debt Scandal was a multilevel failure of PFM**. The then President Guebuza’s closest collaborators and family members were clearly involved and eventually served symbolic jail sentences, but Guebuza himself has remained unscathed. Yet his Minister of Finance broke the law and constitution by signing a sovereign guarantee for the loans and while deliberately keeping the National Assembly uninformed about it. No control mechanisms checked him, as the co-signatories were also bribed. The head of the economic section of the secret services, received millions of dollars and was made manager of the three companies. Mozambique’s Administrative Court, the closest thing to a supreme audit institution, remained mute throughout the process. When then National Assembly eventually decided to set up a commission of inquiry, it worked for months without adding anything of essence (Comissão Parlamentar de Inquérito 2016). It took donor pressure to enforce a forensic audit of the loans to the three companies to reveal the truth of why Mozambique had guaranteed for the USD 2 billion and gotten nothing in return. Nevertheless, the Frelimo-dominated national assembly decided to convert some of the Hidden Debt into new

debt, by refinancing it through Eurobonds. It took the American FBI to reveal the truth about all the bribery, and South Africa to arrest Manuel Chang in 2018, the then Minister of Finance, upon a US request for extradition. It took until late 2002, or nearly 8 years after revelation of the Hidden Debts, for Mozambique to eventually convict some of the bribe-takers, who were given light sentences, all of whom except one were released from prison in 2025. The result was the impression of relative impunity for these white-collar criminals.

The message was clear: Powerful people in Mozambique can circumvent laws, PFM procedures, and public integrity regulations to enrich themselves with relative impunity. This represents the fundamental obstacle to meaningful PFM reform in Mozambique, that any such reform must be implemented by the very regime responsible for recurring episodes of large-scale corruption and misuse of public resources. **At present, there is no evidence of a genuine reform movement or a reform-minded faction within the Frelimo regime.**

The most recent **PEFA** assessment (2021) identifies both the strongest and weakest areas of Mozambique’s PFM system (Drossos et al., 2021: 11–13). The list of weaknesses - and areas where significant improvement is needed - is extensive, as reflected in Table 3:³⁷

PEFA score	Definition	PFM area
D, D+	Below basic performance	<p>Aggregate fiscal discipline</p> <ul style="list-style-type: none"> – limited information included in the draft budget submitted to Parliament – central government operations (revenue and expenditure) outside financial reports and minimalist accountability of autonomous institutes and funds – resource allocation systems for local authorities – weaknesses in public debt management and fiscal strategy – high variance in revenue composition and technical limitations for reconciling revenue accounts – weaknesses in treasury operations, cash management, and control of late payments, combined with inadequate control of the expenditures and revenues of extra-budgetary enterprises and the extra-budgetary revenues and expenditures of budgetary entities and public enterprises – limited competitive procurement – weaknesses in the audit function, particularly external audit, and weaknesses in internal audit do not support fiscal discipline <p>Strategic allocation of resources</p> <ul style="list-style-type: none"> – not fully in line with government priorities – lack of economic analysis of selected investment projects and limitations in the development and adoption of fiscal strategies – deviations in total executed expenditure from budgeted expenditure (variation between budgeted and executed amounts) – high level of resource reallocation during the fiscal year – low control of risks of autonomous entities and the government business sector, as well as their extra-budgetary revenues and expenditures – high level of late payments

³⁷ Author’s translation and rendering

	<p>Efficient service delivery</p> <ul style="list-style-type: none"> – extensive administrative reallocations of resources during the year, resulting in the contracting out or suspension of various public services – limitations on information about the resources received by public service providers (with the positive exception of the health sector) and service delivery performance, preventing the identification of needs and decision-making on priority service delivery areas – late payments – limitations arising from the procurement methods used and the complaint management process – limitations on financial resources for conducting internal performance audits – budget ceilings and limitations on short-, medium-, and long-term cash projections and the State's cash flow limitations, which compromise the effective implementation of the Government's programme and the independence and coverage of the Administrative Court's external audits – systems for allocating resources to local authorities
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Table 3: Summary of PEFA assessment of weaknesses of Mozambique’s PFM system

With regard to development over time, the PEFA analysis from 2021 also reaches the same conclusion as Cruz et.al cited above: While a few of the indicators saw improvement from previous data points in 2015, and a few more of the areas saw stagnant results, half of the areas saw worsening results between the two measurements in 2015 and 2019 (Drossos et al., 2021: 12). With data from 2023, several years after the last PEFA assessment, the African Development Bank points out fiduciary risk as a problem in Mozambique, and grades overall fiduciary risk as “substantial” and on a downward trend (AfDB, 2023: LI, LII).

3.3 Ongoing reform efforts

When he took office in January 2025, President Daniel Chapo promised to reduce the number of ministries and top-salaried political positions as a measure to reduce costs and create efficiency. It is not apparent that he has followed through with this systematically. One concrete measure was to split the Ministry of Economy and Finance into two, thereby creating two ministries – although it is not yet obvious which benefits this will have for PFM. Two ministers and respective vice-ministers have been appointed. As seen above, the strategic role of these two ministries also overlaps with that of the Ministry of Planning and Development. One result of the reorganisation is that while the Ministry of Finance now operates a website together with the Ministry of Planning and Development.³⁸

With support from the EU, the government of Chapo is involved in its most recent round of PFM reform, and an upgrade of the e-SISTAFE digital/online finance management. On ongoing reform is the Medium-Term Expenditure Frameworks (MTEF) to be implemented at sector level, something that will be piloted soon in the education sector.

³⁸ See <https://www.mef.gov.mz/> (last accessed 10 October 2025).

One of Daniel Chapo’s recent reform pledges is to further privatize immigration and customs procedures at border crossings.³⁹ However, past experience, for example with public–private partnerships (PPPs) in toll road operations, suggests there is little reason to view this as a panacea for improved results, transparency, or efficiency. Its effectiveness will only become clear over time through practical implementation.

One of the most important innovations in Mozambican PFM during the latest years is the establishment of the Sovereign wealth fund (FSM) – by law in late 2023. The law will in principle bring further clarity and transparency to the management of the considerable from that LNG sector that is expected in the future. In November 2025, a new regulation of the law on the FSM investment rules was promulgated.⁴⁰ In principle the FSM would leave 40 per cent of the income from the gas and mineral wealth in a fund isolated from politicians’ immediate reach – as savings for the future. However, already in its infancy, civil society observers are criticising the government for using FSM funding to pay for social projects, thus “alleviating” the state budget.⁴¹

It remains to be seen whether politicians will be able to leave the FSM as national savings. Given Mozambique’s PFM history, that will be an enormous challenge. It is also an area in which foreign development aid could focus its attention – given that it is deemed that a sovereign wealth fund is the correct priority for Mozambique. Due to the enormous potential importance of gas income, it is surely an area in which any future government is likely to dedicate some serious effort in developing.

3.4 Qualitative assessment

This section summarizes the status of the different areas of the PFM system and provides an overall assessment. Table 4 presents an evaluative summary of the PFM thematic area.

Assessment Area	Short Summary/Justification	Qualitative Rating
Fiscal Balance and Macroeconomic Stability	Poor fiscal management, at the brink of sovereign default, inflation remains high but controlled, deficits way below regional benchmarks	D
Public Debt Sustainability	Very high risk	D
Revenue Forecasting and Budget Credibility	Realistic revenue forecasts, systematically under-execution of expenditure	C

³⁹ See <https://www.zitamar.com/mozambiques-border-bets/>

⁴⁰ See <https://aimnews.org/2024/12/11/governo-aprova-politica-de-investimento-do-fundo-soberano-de-mocambique/>, or the *Boletim da República* for the Council of Minister decree no. 38/2025.

⁴¹ See <https://www.dw.com/pt-002/fundo-soberano-acusado-de-violar-lei-ao-planear-desvios-de-aplica%C3%A7%C3%A3o/a-72532006> (last accessed 17 December 2025).

Assessment Area	Short Summary/Justification	Qualitative Rating
Budget Transparency and Accountability	Weak procurement oversight, limited citizen access to detailed PFM information	D
PEFA Indicator Scores (of PFM)	Low PEFA scores: 13% B ratings, 52% C ratings, and 35% D ratings	C

Table 4: Summary of qualitative assessment for PFM

Strengths and weaknesses of the PFM system can be summarized as follows:

- **Strengths:** Controlled inflation; high revenue collection; some donor engagement.
- **Adequacy:** Overall budget overspending not a problem, but PEFA ratings show persistent weaknesses in core budget functions and transparency.
- **Weaknesses:** Low overall transparency, procurement oversight is weak, many scandals, high fiscal deficit that must be financed with donations and borrowing; patronage and political allocation distort spending.
- **Potential vs. Risk:** Potential for efficiency gains through ongoing reforms and digitalization (e-sistafe), but slow in implementation. Risk of stagnation if political interference in procurement and budget execution persists. There is a persistently high risk of effective public debt and publicly guaranteed debt being buried in state enterprises and institutes.

Mozambique's PFM system has not managed to maintain macroeconomic stability and a sustainable debt, in particular not after the boom and high-growth years that ended in 2015, a period when higher debt was accumulated. Weaknesses in budget execution, budget credibility, and procurement oversight persist, reflected in low PEFA ratings. Donor engagement is lower than it was ten years ago, but Mozambique still receives support, but it is also less coordinated than in the heyday of budget support (until 2016). However, donor coordination in PFM now takes place as a responsibility of the Ministry of Finance and Economy (now reorganized as the Ministry of Finance and Planning). **Overall, PFM is rated D (Weak). There are few signs of major reform initiatives**, indicating that better PFM is not really a priority to the current Frelimo leadership. To shift this trajectory toward *Strong* would probably require an entirely new social contract, but donor assistance could tilt matters in the right direction.

3.5 The political economy of change of the PFM system

Analysing the **political economy of change** requires understanding not only technical and institutional dynamics but also **power relations, incentives, and resistance to reform**. Below is an analysis of the key drivers **of change** and the **main sources of opposition** within the PFM domain.

Drivers of Change

- **Ministry of Finance:** This is considered as one of the ministries with most technocratic capacity and the eagerness to reform. It enjoys long-standing cooperations with important academic milieu and donor organisations in order to promote sound PFM reform.

- **Administrative Court/ Auditor General (TA):** It produces audit reports that are sufficient to scrutinise public spending, without necessarily going to the point of exposing or protesting corruption or obviously wasteful practices.
- **External donor support:** : There is significant technical and financial support to PFM. This is mainly provided by multilateral institutions – the World Bank, IMF, EU and UNICEF. Norway provides technical assistance to the Ministry of Finance related to FSM and the management of LNG revenues (see above under domestic revenue management). Norway through the embassy also supports the World Bank’s country fund in this area. With support from IMG the Embassy also supported cooperation between the Central Bank in Norway and in Mozambique (completed in 2025)
- **The parliament/National Assembly:** Parliament has the legal and constitutional power to monitor and oversee PFM, but has limited capacity. There is also limited political will to oversee the executive and the FRELIMO government.

Opposition to Change

- **Political patronage networks:** A significant portion of procurement and budget allocations is used for patronage or for the personal enrichment of senior officials.
- **Weak enforcement:** Despite audits and recommendations, implementation and follow-up of corrective actions remain limited.
- **Municipalities and District Governments (urban and rural):** Often lack capacity and incentives to manage funds transparently, especially in rural areas where oversight is weak.
- **Resistance from vested bureaucratic interests:** For instance, one senior commentator complained it is impossible to remove the 18,000 ghost workers in the public sector since there is an entire industry set up to manipulate the payroll datacentres where people have to show up for “proof of life”. Whereas the GCCC may eventually find and punish some small fish bureaucrats, their bosses remain in place in total connivance.⁴²

4 Statistical Capacity

Law No. 7/96 established the National Statistics System (*Sistema Estatístico Nacional – SEN*), defining four official statistical institutions: the Superior Council of Statistics, the National Institute of Statistics (*Instituto Nacional de Estatística, INE*), the Bank of Mozambique, and the Coordinating Council for the General Population Census. The President of the Republic appoints the heads of all these entities. This arrangement poses a structural challenge to institutional

⁴² See Indico Magazine at <https://www.indicomagazine.site/2025/09/damiaao-cumbane-alerta-para-mais-de-30.html>

independence from the Executive and has historically enabled the President and the Frelimo party to maintain significant influence over these institutions.

4.1 Capacity of statistical offices

There is a wide range of statistical data sources in and on Mozambique. In addition to the official government statistics mentioned above, numerous development agencies - mostly multilateral, but also NGOs - collect and produce data for their own purposes or as part of broader development initiatives. Statistical responsibilities in Mozambique are distributed across multiple government bodies, including various ministries (particularly Health and Education), the National Institute of Statistics (INE), the Bank of Mozambique, and several specialized agencies such as the Tax Authority (ATM), the National Petroleum Institute (INP), and the Disaster Management Institute (INGD). While some of these institutions have maintained consistent reporting over time, their data often rely on unclear or weak sources; others have undertaken rigorous data collection efforts but struggled with consistency. As a result, persistent issues of data quality and reliability continue to constrain the ability to draw firm conclusions about Mozambique's economy, public finances, demographics, and other key areas. The internet now hosts a proliferation of ambitious statistical initiatives on Mozambique, yet many of these have incomplete time series or limited scope.

That said, the National Institute of Statistics (INE) has generally been regarded as a reasonably solid institution, maintaining an operational website over several decades. However, it suffered a major setback in 2019, when President Nyusi publicly criticized INE Director Rosário Fernandes (formerly head of the Tax Authority, ATM), prompting his immediate resignation. The dispute centered on the true size of the electorate in Gaza Province - a well-known Frelimo stronghold - and allegations that the Frelimo-controlled National Electoral Commission (CNE) had generated approximately 330,000 "ghost voters." This manipulation depended on the statistical institute's "collaboration" with the CNE to align census and electoral register figures.

Although the INE website remains functional, it is not particularly user-friendly. While substantial material is available for those who take the time to search, users may question whether the site provides the most relevant or up-to-date statistics. Indeed, many datasets appear to have discontinuous timelines; for instance, the "Statistical Yearbook" was last modified two years ago, and the "About INE" page still lists as one of the Institute's main objectives the support of the government's Poverty Reduction Action Plan (PARPA)—the last of which concluded in 2009.⁴³

Both political and more economically motivated corruption are likely factors that work against solid and consistent statistics. With corruption being a central tenet of the public finances, there is naturally no good and reliable statistics on corruption and anti-corruption. Many international

⁴³ See <https://www.ine.gov.mz/en/o-ine> (last accessed 16 October 2025)

organisations have chosen to build its databases on platforms hosted outside of the Mozambican public system, although generally claiming “partnerships” with Mozambican institutions.

Table 5 gives an overview of main providers of statistics on Mozambique (incomplete)

<i>Domestic providers</i>	<i>International providers</i>
<p>National Statistical Institute (Instituto nacional de estatísticas, INE)</p> <p>Ministry of the Economy and Finance (Ministério da Economia e de Finanças, MEF), who shares its website with the Ministry of Planning and Development (Ministério de Planificação e Desenvolvimento, MPD)</p> <p>Bank of Mozambique</p> <p>Sector ministries (e.g. Ministry of Health, Ministry of Education, Ministry of Mineral Resources and Energy, Ministry of Transport and Logistics, Ministry of State Administration and Public Services)</p> <p>The Mozambique Revenue Authority (ATM), the website is currently with alternating or poor functionality, and the statistics (when available) need updating. In the folder of newsletters there are no entries. Under “tax magazine”, likewise. Citizen information is found under “brochures”, but there are no entries after 2014. Its statistical bulletin (<i>Folha do AT</i>) was discontinued after 2021. Its bulletin named <i>Folheto Estatísticas Tributária</i> have two two-pagers of tables from 2024 and 2025.</p>	<p>IMF & Mozambique and the IMF</p> <p>The World Bank in Mozambique</p> <p>OECD Global Revenue Statistics Database</p> <p>United Nations UN Statistics Division</p> <p>UNICEF Research and reports</p> <p>UNU-WIDER Government Revenue Dataset</p> <p>UNU-WIDER Inclusive Growth in Mozambique initiative</p> <p>GTED Global Tax Expenditures Database</p> <p>EU Tax Observatory</p> <p>The Atlas of the Offshore World</p>

Table 5: Main providers of statistics on Mozambique

4.2 Mechanisms for data sharing

From the late 1990s until around 2010, Mozambique experienced its peak period of donor influence - indeed, donor dominance. A wide array of multilateral and bilateral development partners, along with numerous international NGOs, engaged in direct budget support, sectoral assistance, and province-focused programs, operating across virtually all sectors of the economy. Their collective aim was to promote economic development, strengthen governance institutions, and foster cultural progress. A natural corollary of this ambitious engagement was the growing pressure to generate reliable statistics. However, just as the necessary routines, coordination mechanisms, technical capacity, and IT systems were beginning to take shape, the momentum for donor coordination declined sharply during President Guebuza’s second term (2010–2014). Data sharing among development partners also deteriorated during this period, further weakening the coherence and sustainability of statistical efforts.

4.3 Coordination and reform efforts ongoing

We are not aware of any significant reforms in the statistical system of Mozambique.

4.4 Qualitative assessment

In this section, we summarize the status of the statistical system and provide an overall assessment of its strengths and weaknesses. Table 6 provides an evaluative summary of the status of the PFM thematic section.

Assessment Area	Short Summary/Justification	Qualitative Rating
Availability of DRM and PFM-related Data	Key fiscal and revenue data available, but accessibility vary and cumbersome to find online	B
Quality and Consistency of Revenue Data	Inconsistencies across agencies reduce reliability for policymaking	D
Independence and Credibility of Statistics	Politicization of data has reduced credibility and public trust	D
Legal Framework for Data Sharing	Formal provisions exist, but weak execution	C
NSS Coordination and Integration	Coordination structures exist, but politicisation of data reduces effective coordination and motivation	C

Table 6: Summary of qualitative assessments for statistical capacity

The strengths and weaknesses of statistical capacity can be summarized as follows:

- **Strengths:** INE relatively well-resourced; presence of reform plan (TSMP II); donor support; growing role of non-state data actors.
- **Adequacy:** Problematic - capacity is uneven, politicisation has undermined credibility, and data fragmentation reduces utility for decision-making.
- **Weaknesses:** Inconsistent data quality across agencies; politicisation (e.g., inflated population figures to create room for electoral fraud) (CIP 2024)); poor coordination and sharing; lack of analytical capacity; restrictive legal environment for non-official statistics. No known reform plan in implementation.
- **Potential vs. Risk:** High potential if a new statistical strategy is written and implemented fully with political buy-in and stronger coordination. Risk of stagnation if political control over statistics continues and capacity constraints remain unaddressed.

Mozambique’s statistical system is characterized by relatively weak institutional infrastructure and a fragile reform framework, although it has benefited from substantial donor support. The Bank of Mozambique is generally regarded as having considerable capacity in economic data management, and together with the National Institute of Statistics (INE), it forms a foundation for strengthening the National Statistical System. Nevertheless, shortcomings in data quality, analytical capacity, and the persistent politicisation of statistics continue to undermine credibility and limit their effective use in policymaking. While legal frameworks and coordination mechanisms are in place, their enforcement remains weak, and institutional silos continue to impede integration and coherence. **Overall, the statistical system is assessed as “C” (moderately adequate).** With

consistent reform implementation and greater institutional independence, Mozambique’s statistical capacity could evolve from a fragmented and politicised system into one that is credible and robust.

4.5 The political economy of change of the statistical system

Analysing the **political economy of change** requires understanding not only technical and institutional dynamics but also **power relations, incentives, and resistance to reform**. Below is an analysis of the key drivers of **change** and the **main sources of opposition** within the statistical domain.

Drivers of Change

- **The National Statistical Institute (INE):** Statutorily mandated to coordinate data systems and improve data quality.
- **Bank of Mozambique.** The long-standing and controversial leader of the Bank of Mozambique, Rogério Zandamela, has provided for enhanced credibility of economic data, and the building of capacity within the institution.
- **Civil society organisations:** Donor financed CSOs and research institutes such as CIP, CDD, IESE and OMR play a significant role in public debate and accountability, pressuring for better data in various areas.
- **External support to INE and NSS is significant and provided by a range of multilateral and bilateral agencies, including major support from the World Bank through the 2024-2028 STATCAP project. Other donors include the African Development Bank, UNICEF, UNU-Wider, USAID and the UK. Norway through the Embassy is supporting INE through institutional cooperation agreement with Statistics Norway.**

Opposition to Change

- **Politicisation of data:** There have been several instances in which the government has directly intervened in the production of statistics, pressuring the National Institute of Statistics (INE) to deliver results aligned with its preferences. It is also common for district and provincial authorities, as well as public institutions, to generate data that portray the ruling party in a favourable light. Such practices seriously undermine confidence in the reliability of data produced by Mozambican institutions. At the lower levels of the party–state system, most actors have strong incentives to produce “favourable” figures rather than data that might reveal uncomfortable realities.
- **Lack of capacity and prioritisation** in the local branches of the state (provinces, districts, administrative posts, and localities) to generate, share, and utilize quality data.

- **Fragmentation and poor coordination:** Many government institutions operate data silos with limited incentive to harmonise or standardise formats with INE.
- **Fear of exposure:** Improved data on service delivery or public finances may reveal inefficiencies or corruption, reducing incentive for transparency (mirroring the situation in, for instance, Tanzania).

4.6 External support to strengthening the statistical system

This cooperation between INE and SSB has a long history. The previous cooperation under the “Oil for Development” programme ended in 2023. A new cooperation for 2025-2028 focuses on the production of quarterly oil and gas investments statics, incorporating the petroleum sector into National Accounts, and further development and implementation of the method for price indices on import- and export goods. There will also be support to development of energy statistics The new project may also include some assistance on a few new areas identified within economic statistics, national accounts and on the communication and dissemination area.⁵ Anticorruption Efforts

5. Anticorruption Efforts

This section begins with a brief overview of Mozambique’s performance in international indices and citizens’ perceptions of corruption, followed by a mapping and discussion of anti-corruption (AC) efforts in the country.

Using the most recent years available data (2023–2025) as a reference point, the timeline datasets consistently show Mozambique’s poor governance record, including in the area of corruption. Corruption in Mozambique is deeply intertwined with broader governance weaknesses and the overall quality of public administration. As the Hidden Debt Scandal demonstrated, corruption forms an integral part of the modus operandi of the political elite surrounding the government. Moreover, some of the country’s most notorious and high-profile assassinations have been linked to efforts to conceal grand corruption schemes involving political figures - such as the murders of journalist Carlos Cardoso and bank auditor José Siba-Siba Macuácuá in the early 2000s, both of which remain unresolved. These events have reinforced a pervasive sense of impunity regarding corruption.

The next section presents a snapshot of results from prominent governance indicators.

5.1 International rankings of corruption

The most well-known index is Transparency International’s Corruption Perception Index, that puts [Mozambique](#) on a declining path, and in 2024 ranked it as “highly corrupt” and the 146th out of

180, or the “25th most corrupt” country (see Figure 8). In comparison, Tanzania at 82 is considered as moderately corrupt, while Malawi is ranked at 107, and Somalia is ranked 179 of 180; both also highly corrupt countries.

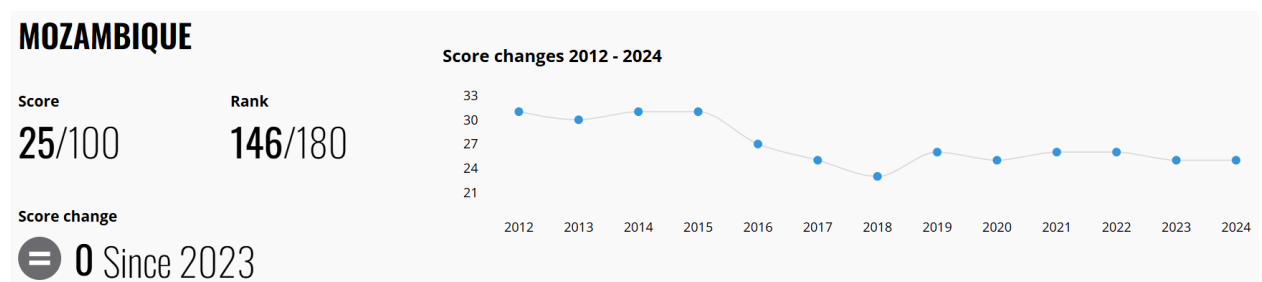


Figure 8: Mozambique’s on Transparency International’s Corruption Perception Index 2012-2024

The Varieties of Democracy (V-Dem) multiannual and multivariable survey shows a general tendency of the perception of increased corruption and less control of corruption (Figure 9). It finds that corruption in Mozambique has worsened significantly in the last 10 years, independently of which of its indexes measuring corruption one looks at, and that corruption control is now at its lowest point.

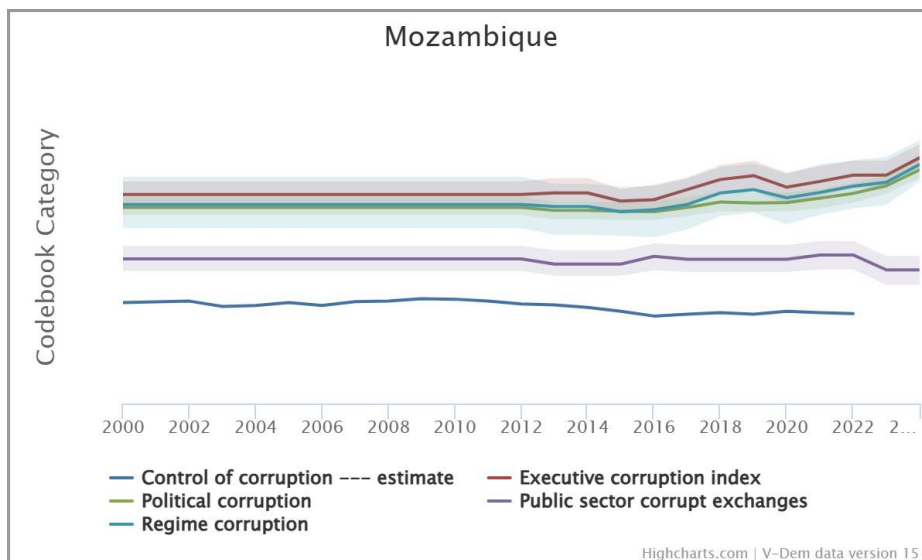


Figure 9: Trends in corruption, according to Varieties of Democracy https://v-dem.net/data_analysis/CountryGraph/

In the latest round of the Afrobarometer citizen survey (see Figure 10), respondents identified senior government officials and politicians as among the most corrupt actors, second only to the police. The police, being the institution citizens most frequently encounter in their daily lives, are widely perceived as the most corrupt - reflecting the common experience, as in many parts of Africa, of police officers extorting money from motorists.

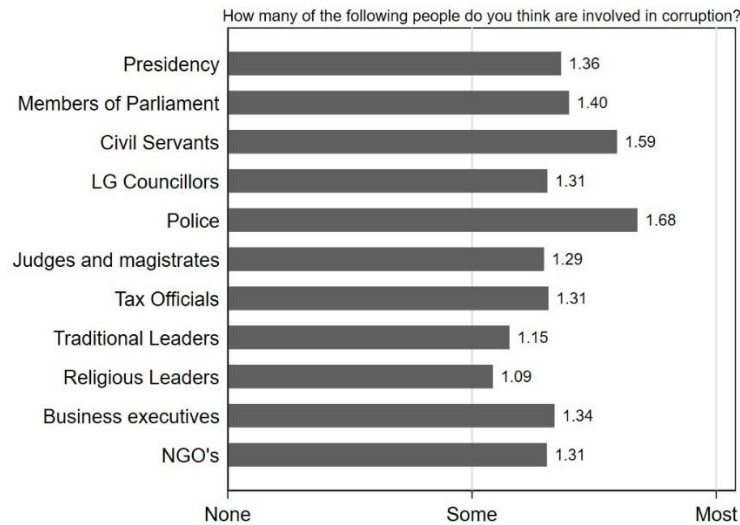


Figure 10: Corruption perceptions among citizens, according to Afrobarometer’s survey (2022/23)

Afrobarometer’s multi-year comparison also show that citizens increasingly believe the government is performing worse in combating corruption (see Figure 11). This trend has persisted under the same Frelimo regime across all survey rounds, despite presidential transitions from Guebuza to Nyusi in 2015 and from Nyusi to Chapo in 2025.

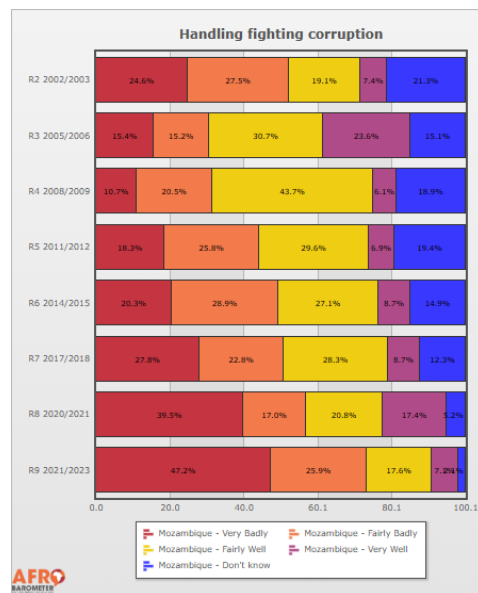


Figure 11: How well or badly would you say the current government is handling the following matters, or haven’t you heard enough to say? Fighting corruption in government (2002/2003 - 2021/2023). Source: Afrobarometer

Similarly, Afrobarometer surveys show a steady rise in the share of citizens who believe that corruption is increasing (see Figure 12). By the latest survey round in 2023, more than half of respondents reported that corruption had grown worse over the preceding year



Figure 12: In your opinion, over the past year, has the level of corruption in this country increased, decreased, or stayed the same? (2014/15 - 2021/23). Source: Afrobarometer

On the [Freedom House index](#), Mozambique scores 41/100 points, and is characterised as “partly free”. In 2025, it noted Mozambique as the country with the 18th largest 10-year decline in the world (Freedom House 2025: 6).

On the [World Bank Governance Indicators](#), Mozambique scores notably worse, on all 6 indicators, than it did in 2013. Compared to 2008, it scores much worse on all indicators.

All these figures and trends help explain the widespread anger that spilled into the streets across the country in 2024. Accusations of corruption within the Frelimo regime were a common theme in the slogans voiced during the protests.

5.2 Other international rankings

In the [Global Innovation Index \(2023\)](#), Mozambique is ranked 126 out of 132 countries. Its most positive aspects relate to the strength of its institutions. It scores very poorly on all measures.

According to the [Economic Freedom Index](#) by the Fraser Institute (2024), Mozambique was ranked as the 125th freest economy out of 165 in 2022, considered therefore among the ‘least free’, doing particularly poorly on the regulation and the sound money indices.

The [Reporters Without Borders’ World Press Freedom Index](#) classifies the situation in Mozambique as “difficult”, and ranks Mozambique on a declining path, and as 101 out of 180 countries. It headlines its Mozambique-report with ‘alarming decline of press freedom in Mozambique.’

5.3 Anti-corruption capacity in Mozambique

In terms of national institutions, the crucial pillars of anti-corruption framework, or integrity system, are:

- **National Anti-Corruption Strategy.** A national anti-corruption strategy was written up some time before 2010. It has never really been put into practice and does not function as an active policy instrument.
- **The Attorney General of Mozambique** (*Procuradoria-Geral da República*, PGR). The PGR is appointed by the President and responds directly to the Ministry of Public Prosecutions (*Ministério Público*) and indirectly to the President of the Republic. The PGR had a very important role in the prosecution of the grand corruption case called the Hidden Debts Scandal. It eventually managed to convict 18 suspects of involvement in the case. However, the PGR has also received harsh criticism for staging the case with a political bias, favouring one faction of Frelimo against another – meaning that some got the blame, while others went on with impunity. Neither the PGR nor the Ministério Público have operative websites at present.
- **The Central Office for Combatting Corruption** (*Gabinete Central do Combate à Corrupção*, GCCC). Formally a branch of the Attorney General’s office, which again is under the Ministry of Public Prosecutions. No operative website. However, in one recent news article, it claims to have initiated 4,005 cases, of which 1733 resulted in accusations, and 828 were archived (without revealing what happened to the rest).⁴⁴
- **Supreme National Auditor** (*Tribunal Administrativo*, TA). The TA is the superior organ of the tax courts and the customs court, has an important role in looking out for the law, justice and jurisprudence in the public sector and civil service. It also reviews and audits the National Accounts, and has as its responsibility the overview of the good use of public money. It has a relatively well-functioning website, with information, statistics, and a function where citizens can enter their complaints. To fight corruption is part of TA’s strategy, albeit not the most pronounced part of it (TA, 2022).

Anti-corruption is not a priority for the government of Mozambique, despite the GCCC having existed since 2004, with representations in 9 provinces.

5.4 Coordination and ongoing reform efforts

The new government of President Daniel Chapo has issued statements expressing an intention to combat corruption; however, these declarations do not differ significantly from those made by his two predecessors. During Chapo’s first nine months in office, no concrete plans or reforms have been presented to substantiate this commitment.

⁴⁴ See Canal de Moçambique at <https://canal.co.mz/2025/05/21/gabinete-central-de-combate-a-corrupcao-abriu-cerca-de-quatros-mil-processos-de-corrupcao>

5.5 Qualitative assessment

This section summarizes the status of the statistical system and provides an overall assessment of its strengths and weaknesses. Table 7 presents an evaluative summary of the status of Anti-corruption efforts.

Assessment Area	Short summary/justification	Qualitative Rating
Legal and Strategic Framework (Anti-Corruption Strategy)	There is no operational anti-corruption strategy in place. No sign of any new strategy from the new President, Daniel Chapo	D
Civil society checks on the executive	Active NGOs and some critical media outlets	B
Institutional Capacity (GCCC, TA, PGR)	Key institutions relatively poorly resourced, and limited by political interference or domination. Attorney General's office (PGR) can be effective, despite political bias.	D
Enforcement and Prosecution Effectiveness	Investigations have increased, but only for "small fish" of no systemic consequence. Prosecution-to-investigation ratios remain low.	D
Procurement Oversight and Compliance	Procurement remains a high-risk area, with widespread non-compliance and recurring audit red flags.	D
Citizens' Perceptions and Reporting Safety	Public perception of gov. AC-efforts is poor, but fear of retaliation hampers whistleblowing despite some free press being able to call out some episodes of blatant corruption	C
Coordination Across Institutions and Planning	Institutions remain poorly coordinated and hardly ever work together to make a common front in corruption matters	C
Independence of Oversight Institutions	Oversight bodies remain vulnerable to political influence, especially in high-level or politically sensitive cases. Some efficiency in the internal audit function of the Ministry of Finance.	D
Use of ICT and E-Government in Anti-Corruption	E-procurement and digital tools are expanding, but as yet ineffective in making a big difference in reducing corruption	C

Table 7: Summary of qualitative assessments for anticorruption efforts

The strengths and weaknesses of anticorruption efforts can be summarized as follows:

- **Strengths:** The main strength in the national integrity system is that there is a relatively active group of NGOs and critical media outlets able to ensure some check on the government.
- **Adequacy:** Mixed - institutional frameworks are in place but on the whole the institutions remain inefficient due to political dependency.
- **Weaknesses:** Political interference in sensitive cases; weak enforcement of procurement rules; judicial bottlenecks; limited whistleblower protection; patronage and nepotism in all government bodies.
- **Potential vs. Risk:** Potential for gradual improvement if enforcement strengthened and the institutions are allowed to fulfil their intended role. Risk of further degradation if high-level corruption remains untouchable also in the government of Daniel Chapo.

With the new liberal and multiparty constitution of 1992 and the introduction of multi-party elections, Mozambique's stopped being a one-party state. It nevertheless continued as a party-state under near complete dominance of the ruling party, Frelimo, that has maintained executive power since 1975. Frelimo never relinquished control of the government institutions, including the all local government structures down to the village and neighbourhood level. The only exception is in a few urban municipalities where the opposition parties Renamo and MDM have won majorities, but where Frelimo continue to dominate "the ground" with their neighbourhood-level structures and the district administrations that provide a "check" on the opposition-held municipal governments. Frelimo has had 50 years to consolidate a clientelistic structure, tying the whole civil service into dependency on the party, and ultimately, the President. This set-up provides for the ideal ground for the perpetuation of corruption – since there are no possibilities of real and effective checks on executive power, neither by the political opposition, or by the institutions that are nominally tasked with check and control function.

Mozambique's National Integrity System consist of an adequate number of institutions of checks and balances. The constitution is, on the whole, designed to create an apparatus of an executive, legislature and judicial branch to balance each other in a healthy, republican way. However, the reality of the Frelimo party-state has no mention in the constitution. It is, in fact, more the reality than the constitutionally given institutional set-up. People are acutely aware of this in Mozambique, which is why political protest in Mozambique in 2024/5 is directed not at a Frelimo policy, or Frelimo individual, but against the entire Frelimo state – witnessed in the most popular slogan "Abaixo Frelimo!" (down with Frelimo).

It is possible to identify pockets of relative efficiency within the system, for example, the Central Office for Combating Corruption (GCCC) is processing more cases than in the past, and the Ministry of Finance's internal audit function shows some capacity. However, the GCCC operates with limited resources and little independence, preventing it from moving beyond its current role as a token institution that targets minor offenders or, when politically expedient, party cadres deemed troublesome. The Office of the Attorney General (PGR) did secure a few corruption convictions related to the Hidden Debt scandal, but many independent observers view these trials as political theatre, designed to produce scapegoats while safeguarding Frelimo's political power and internal cohesion. **Overall, Mozambique's anti-corruption system is therefore rated D (weak).**

5.6 The political economy of change of the anti-corruption system

Analysing the **political economy of change** requires understanding not only technical and institutional dynamics but also **power relations, incentives, and resistance to reform**. Below is an analysis of the key drivers **of change** and the **main sources of opposition** within the anti-corruption domain.

Drivers of Change

- It should be noted that “islands of integrity” can be found within the Mozambican public sector, with which external donor agencies can work. The specific institutions that fall into this category vary over time, and political decisions by Frelimo can rapidly reverse progress achieved in some agencies. Nevertheless, there is a history of incremental improvement taking place – supported by assistance and encouragement from donors and the international partners – across many Mozambican institutions that are central to effective DRM, PFM, statistics and anti-corruption. The GCCC is a case in point: while its investigators and judicial staff operate within a politically constrained environment, they are nevertheless likely to gain experience incrementally in pursuing cases involving both domestic corruption and international matters. The involvement in asset recovery cases and the Hidden Debt court proceedings within the UK justice system is important for building experience.
- **Central Office for Combatting Corruption (GCCC).** The GCCC has an active role in making sure that some corrupt officials at lower levels are punished, and it is thinkable that this will contribute to a changed culture over time. However, after being operative for 20 years, it is not likely that the GCCC will, under the current regime, take a more active role in rooting out corruption in the higher echelons of the political elite, unless a part of an intra-regime faction-fight.
- **The Administrative Court/Auditor General (TA).** The TA remains institutionally and politically subjected to the political power. It does, however, emit some critical reviews of national accounts (CIP 2025), and can therefore be a force, albeit timid, for positive change.
- **Civil society and media:** While constrained, they are consistently vociferous in exposing corruption and demanding accountability.
- External donors and funders, in particular the IMF, have the inherent power to force the government to carry out reforms in the field of anti-corruption.

Opposition to Change

- **Lack of political will.** The Frelimo party-state is the epicentre of corruption in Mozambique. It does not mean that all its politicians or officials are corrupt, but it is a system which political method is based on rent-seeking – where the whole object of “politics” is to get access to state resources in order to secure private benefit. In such a system, reform is possible, but will always be half-hearted, partial, or “just-enough” to placate pressure from international partners and from civil society and the population/voters.
- **Political interference.** Despite their formal independence, the appointment structures of Mozambique’s anti-corruption bodies leave them subject to political influence and vulnerable to interference. These institutions face significant pressure when handling

politically sensitive cases, particularly those involving ruling party members or high-ranking officials.

- **Judicial bottlenecks.** Even when corruption cases are prosecuted, delays or lack of convictions (especially for grand corruption) undermine deterrence.
- **Limited whistleblower protection.** Citizens and public servants remain hesitant to report corruption due to fear of retaliation. The history of high-profile, unresolved assassinations of anti-corruption activists has created a pervasive sense of risk and continues to constrain anti-corruption advocacy in Mozambique.
- **Nepotism and cronyism.** As noted, semi-autonomous institutions in the anti-corruption framework are vulnerable to political appointments and cronyism, further undermining their effectiveness.

5.7 External support to strengthening the anti-corruption architecture

The main donor support to anti-corruption is provided by the EU, UNODOC, the Basel Institute/ICAR and Switzerland. Norway through Norad is supporting the Basel Institute/ICAR and various regional civil society networks and media. The Embassy is supporting a project with UNODOC/FAO related to fishing as well as civil society actors. 6 Interaction and Intersection Between the Areas

The study of Mozambique provides a comprehensive examination of four interconnected areas of governance: Domestic Resource Mobilisation (DRM), Public Financial Management (PFM), the National Statistical System (NSS), and the National Anti-Corruption Architecture. Below is an **analysis of how these areas interact and intersect**, with discussion on their mutual influences and dependencies.

1. Domestic Resource Mobilisation (DRM) and Public Financial Management (PFM)

Intersection:

- **Revenue generation and expenditure:** DRM provides the fiscal foundation upon which the PFM system operates. Effective taxation directly affects the government's ability to plan, allocate, and spend resources.
- **Budget credibility:** Accurate revenue forecasts (a key PFM concern) depend on DRM performance. Overestimation leads to budget cuts or deficits; underestimation reduces developmental impact. In Mozambique, underexecution of the budget has been the most common problem. This leads to lack cash flow and the normal operation of sub-national institutions of government.
- **Tax administration and compliance:** The ATM's ability to increase compliance and reduce evasion directly supports fiscal balance, a core goal of PFM. But compliance also depends on the justice system's ability to pursue tax non-compliance. Here, the Tribunal Administrativo has the key role.

Interaction issues:

- Tax exemptions - always politically driven - undermine both DRM and PFM efforts.
- Weaknesses in DRM (e.g. inefficiencies in tax administration or low compliance in the informal sector) undermine revenue availability for effective PFM.

Example:

- The **large backlog of tax appeal cases** and widespread **tax exemptions** significantly constrain revenue collection. Moreover, limited capacity to verify cost deductions claimed by petroleum companies and other large investors is likely to substantially reduce potential tax income in the future. The Treasury may also owe considerable sums to businesses in unrefunded VAT, which further hampers business activity, discourages investment, and ultimately undermines growth and employment.

2. DRM and Anti-Corruption Architecture

Intersection:

- **Corruption and tax evasion:** Corruption undermines tax collection efficiency through collusion, bribery, and weak enforcement. Within the Tax Authority (ATM), corruption erodes institutional integrity and public trust. Customs operations, in particular, are widely suspected of systemic corruption, facilitating extensive illicit trade in narcotics, protected wildlife, and timber.
- **Exemptions and rent-seeking:** Tax exemptions and illicit flows, often shielded by political influence, are areas ripe for corruption. Strong anti-corruption measures are critical to combat these.
- **Public trust:** Perceptions of corruption in tax institutions reduce compliance and taxpayer morale, creating a feedback loop.

Mutual Reinforcement:

- Anti-corruption strategies created in the early 2000s have been largely forgotten. Successive presidents have promised a new drive on anti-corruption, without systematic and structural change taking place.
- GCCC investigations into tax-related malpractices and Ministry of Finance and TA audits support improved DRM outcomes. But these take place systematically all too seldom.

3. PFM and Anti-Corruption Architecture

Intersection:

- **Public procurement and expenditure:** Weak procurement systems are a key locus of corruption and inefficiency in PFM.
- **Audit institutions:** The TA could be a bridge – its findings support both PFM reforms and anti-corruption enforcement – but it lacks funding and independence from the executive.
- **Transparency and accountability:** PFM systems are the operational expression of anti-corruption principles. Weak financial controls allow leakages and rent-seeking behaviour, and outright fraudulent practices of a grand scale (e.g the Hidden Debt Scandal).

Challenges:

- Political interference and lack of enforcement by the TA and the PGR weaken the PFM-anticorruption link.

- Recurring procurement irregularities persist, pointing to weak implementation and lack of political will.
- Mozambique’s history of major corruption scandals, including the murders of Carlos Cardoso and Siba-Siba Macuácuca, the Hidden Debt Scandal, and the recurring crises nearly bankrupting the national airline LAM, has been enormously costly to the country, both economically and in terms of its domestic and international reputation. These events should serve as a warning to the political elite that meaningful reform is necessary to prevent further economic decline. However, there is little evidence that Frelimo is prepared to place anti-corruption mechanisms at the centre of public financial management. **Instead, most measures appear to be undertaken primarily to appease donors.**

4. National Statistical System (NSS) and the Other Three Areas

Intersection with DRM:

- **Tax data integrity:** Reliable data is essential for measuring the tax gap, identifying evasion, and forecasting revenue.
- **Manipulated or politicised statistics** (e.g. exaggerated or manipulated population numbers) can misguide tax policy and undermine donor confidence.

Intersection with PFM:

- **Budget planning:** Quality statistics guide effective resource allocation and expenditure prioritization.
- **Monitoring and evaluation:** Statistical data underpins performance monitoring and fiscal accountability.

Intersection with Anti-Corruption:

- **Transparency tool:** Access to accurate and timely statistics is a core component of open governance and a deterrent to corruption.
- **Watchdog capacity:** The GCCC, the media and CSOs rely on credible data to detect anomalies and hold actors accountable.

Cross-cutting weaknesses:

- **Limited analytical capacity** outside the INE and a fragmented data ecosystem undermine evidence-based decision-making. However, certain research institutions and NGOs possess valuable analytical expertise that the government largely underutilizes - often perceiving these actors as nuisances or even as harmful “foreign agents.”
- Weak statistical capacity and **politicisation** can erode budget credibility and misguide spending priorities.

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Annex 1 Methodological Note: The A–D Assessment Scale

The study applies a four-point **A–D qualitative assessment scale** to evaluate each of the four case countries' governance performance across four thematic areas: Domestic Resource Mobilisation (DRM), Public Financial Management (PFM), Statistical Capacity, and Anti-Corruption. The purpose of the scale is to provide a **simple, transparent, and repeatable** method for assessing institutional strength, reform momentum, and vulnerability to political economy constraints. The scale is **inspired by** international diagnostic tools such as PEFA and TADAT but is **not a replication** of their scoring systems.

1. Purpose and Rationale of the Scale

The A–D scale serves four main methodological purposes:

1. **Comparability across sectors:** It provides a common language for assessing four governance areas that differ in mandates, institutional setups, and maturity levels.
2. **Analytical clarity:** It avoids false precision and recognises that governance performance cannot be reduced to exact numerical scores.
3. **Focus on reform dynamics:** The methodology captures both *current institutional performance* and *direction of change*, including momentum, sustainability, and political constraints.
4. **Repeatability over time:** The scale can be applied in future studies to track reform progress and setbacks.

2. What the Scale Measures

Each rating reflects a **holistic judgement** drawing on quantitative data, institutional diagnostics, political economy analysis, and expert assessment. It focuses on:

- **Institutional strength** (legal framework, systems, procedures, capacities, enforcement)
- **Operational performance** (execution, service delivery, compliance, audit follow-up)
- **Governance and independence** (autonomy, transparency, resistance to political interference)
- **Reform momentum** (ongoing reforms, donor alignment, leadership commitment)
- **Risks and vulnerabilities** (political cycles, fragmentation, implementation gaps)

The assessments are **area-level ratings**, not a compilation of indicator scores.

3. Definition of the Four Rating Categories

A – Strong

Institutions function reliably and largely in line with good international practice. Processes are clear and consistently applied. Political interference is limited, and reform momentum is strong and sustained. Performance is robust even under stress.

Used sparingly; denotes a high level of maturity.

B – Moderately Strong

Core systems are well established and generally effective, but performance varies across sub-areas. Reform momentum is present but implementation may be uneven or dependent on external support. Risks exist but do not fundamentally undermine system performance.

Indicates a system that works, but not yet reliably or comprehensively.

C – Moderately Adequate

Basic institutional elements are in place, and the system meets minimum functional requirements. However, weaknesses are significant - such as inconsistent implementation, coordination failures, limited independence, or slow reforms. Performance is vulnerable to political cycles and capacity constraints.

This category also captures systems with strong potential but weak implementation.

D – Weak

Key system elements are missing, non-functional, or severely constrained. Political interference, low capacity, or governance shortcomings undermine credibility and performance. Reform momentum is low, stalled, or purely formal.

Denotes structural problems rather than temporary setbacks.

4. How Judgements Are Formed

Ratings are based on triangulation of:

- official statistics and administrative data;
- published assessments (CAG, PEFA, TADAT, IMF, WB, Afrobarometer);
- interviews and secondary literature;

- institutional and political economy analysis;
- evidence of reform progress or stagnation.

The rating process prioritises **narrative justification** over the letter grade itself. Each rating is accompanied by a concise explanation summarising the evidence and rationale.

5. Distinction from PEFA, TADAT, and Other Formal Diagnostics

While the A–D categories mirror the logic of international tools, this methodology differs in key ways:

- It is **not** a compliance audit.
- It does **not** score indicators or use weighted formulas.
- It incorporates **political economy**, which PEFA/TADAT do not.
- It allows **cross-sector comparison** across DRM, PFM, Statistics, and Anti-Corruption.
- It is designed for **portfolio monitoring**, not formal ratings of government performance.

6. Future Application

The scale is intended to be used in subsequent monitoring reports to:

- track changes in institutional performance;
- identify reform windows or emerging risks;
- inform Norad’s strategic engagement and portfolio adjustments;
- support dialogue with government and foreign donor agencies/development partners.

The simplicity and transparency of the scale ensure that future assessments remain comparable even if conducted by different teams.