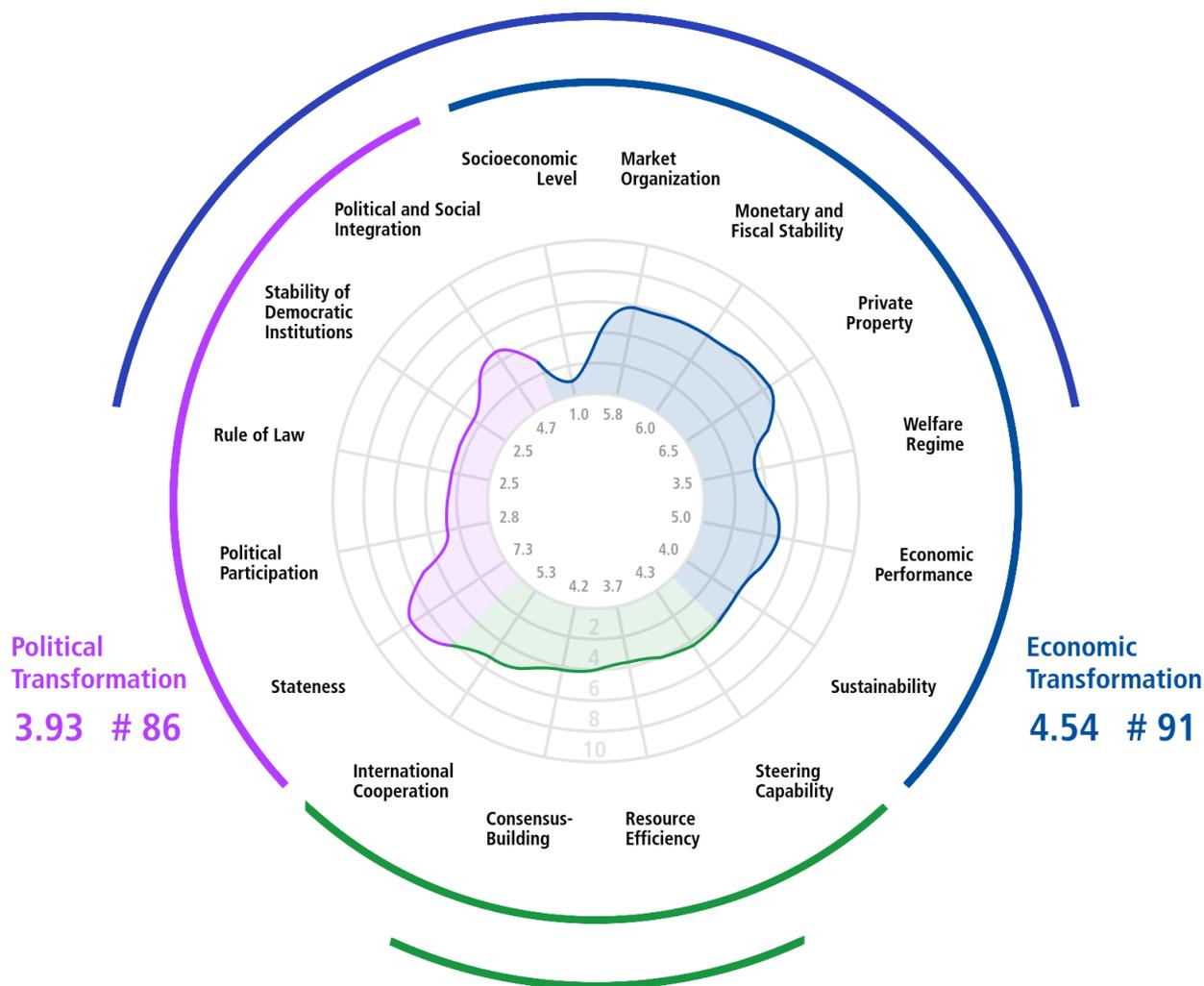


Mozambique

Status Index

4.23 # 99

on 1-10 scale out of 137



Political Transformation
3.93 # 86

Economic Transformation
4.54 # 91

Governance Index

4.16 # 89

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2026**. It covers the period from February 1, 2023 to January 31, 2025. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at <https://www.bti-project.org>.

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Key Indicators

Population	M	34.6	HDI	0.493	GDP p.c., PPP \$	1700
Pop. growth ¹	% p.a.	2.9	HDI rank of 193	182	Gini Index	49.6
Life expectancy	years	63.6	UN Education Index	0.454	Poverty ³	% 88.6
Urban population	%	39.3	Gender inequality ²	0.479	Aid per capita \$	87.0

Sources (as of December 2025): The World Bank, World Development Indicators | UNDP, Human Development Report 2025. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.65 a day at 2017 international prices.

Executive Summary

Mozambique is keeping up the facade of electoral democracy. The quality of elections in Mozambique is deteriorating substantially, and the 2023 local elections – the “autarquias” – were tainted by widespread fraud. However, neither parallel counts nor the presence of party and civil society election observers deter polling station staff from aiding the ruling party. District elections, once an element of the peace deal between the Liberation Front of Mozambique (Frente de Libertacao de Moçambique, FRELIMO) and the Mozambican National Resistance (Resistencia Nacional Mocambicana, RENAMO), were supposed to be held for the first time in 2024, but have been abolished altogether.

When evidence of election fraud in the presidential, parliamentary and provincial elections in October 2024 became overwhelming, independent presidential candidate Venâncio Mondlane declared himself the winner. As preliminary results compiled by the National Electoral Commission (CNE) declared FRELIMO to be the winner of the presidential and parliamentary elections, protests broke out nationwide. The protests turned violent when they were met with brutal police force, including the use of lethal ammunition.

The post-election period was the most violent in the country since the end of the civil war. Protests continued until the inauguration of newly elected President Daniel Chapo, although the Constitutional Council had amended polling station results in favor of opposition parties. The amendments did not affect the ruling party’s two-thirds majority and were carried out in a completely opaque manner.

With RENAMO – the main opposition party – substantially weakened by the newcomer Optimist Party for the Development of Mozambique (Partido Otimista pelo Desenvolvimento de Moçambique, PODEMOS), traditional opposition parties and FRELIMO need to consider how they can address the grievances of the country’s young and unemployed population if they want to stay relevant and in power. All eyes are now on President Chapo, who needs to show the political will for reforms that can restore election integrity and constructive dialogue with opposition parties.

Mozambique's economic recovery since the hidden debt scandal and the COVID-19 pandemic has been remarkable and remains on a solid trajectory. In 2022, the economy grew by 4.4% (up from 2.4% in 2021); the growth rate reached 5% in 2023, with a forecast of 5.5% in 2024.

In 2024, 83.9% of FDI was dedicated to the extractive-industry sector, making the economy dependent on fluctuations in raw material prices. Thus, the government expects growth to slow to 4.7% in 2025 due to declining aluminum and liquefied natural gas (LNG) prices, along with capacity limits in the extractive industries and the agricultural sector. The latter has mostly been affected by natural disasters due to climate change.

Mozambique's economic development has been characterized by jobless growth. The economy remains largely informal, with low levels of manufacturing activity and a lack of skilled human capital beyond the main urban centers. Mozambique urgently needs structural economic transformation, diversification and strong local content policies.

Given current economic priorities, high poverty levels will persist. In 2024, despite decades of proclaimed government dedication to poverty alleviation, 67.57% of the population was living below the poverty threshold of \$2.15 a day.

History and Characteristics of Transformation

Like many African states, Mozambique embarked on a trajectory of electoral democracy while continuing to cater to clientelist interests. Moreover, the Mozambican government neglected to implement geographically balanced, inclusive development, or to provide employment and other opportunities for its steadily growing, largely young population. This provided fertile ground for militant Islamists who, since 2015, have challenged the monopoly on state power in the northern province of Cabo Delgado. These insurgents, partly homegrown but with increasing international support from factions of the Islamic State (IS) group, also have links with organized criminal networks operating in the area, mirroring developments in West Africa. The endemic corruption that has prevailed in Mozambique for decades, coupled with large-scale impunity, has allowed organized crime to infiltrate the Mozambican state.

Recurring natural disasters and the Islamist insurgency have challenged the FRELIMO government's hold on power and drawn attention to its structural deficiencies.

The "hidden debt" scandal that emerged in 2016, the lack of transparency and cooperation around it, and the subsequent reluctance to hold those who participated and benefited accountable tainted the Mozambican government's image – but only briefly. Donors' short memory, the government's chutzpah in self-consciously playing along and the dire humanitarian needs of the Mozambican population, which is sliding further into poverty, quickly brought international financial assistance and development cooperation back to the country.

The government relies on FDI and megaprojects in the extractive industry to secure much-needed revenue. This has produced robust macroeconomic growth but does not benefit the population or create much-needed jobs.

The country's ruling party, FRELIMO, has been in power for 50 years. While there has never been a level electoral playing field, the quality of elections has deteriorated from election cycle to election cycle. Mozambique has become an electoral-facade democracy.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 1 (worst) to 10 (best).

Transformation Status

I. Political Transformation

1 | Stateness

The Mozambican state's monopoly on the use of force is seriously weakened in the three northern provinces, particularly in Cabo Delgado.

Mozambique's insurgency began in Cabo Delgado in 2015, but its origins are older. It grew out of anger over state corruption and opposition to the established moderate Islam that had been seen as being co-opted by the governing FRELIMO party. A local violent group calling itself Ahlu Sunna Waljama (ASWJ) created military cells and established links with foreign jihadists. In May 2022, the Islamic State (IS) group recognized the organization, known locally as al-Shabaab, as one of its offshoots (Islamic State Mozambique, ISM). The movement feeds mainly on resentment over the region's poverty. Part of its propaganda emphasizes that the population does not profit from the extractive-industry projects, which enrich the political elite in Maputo.

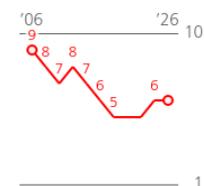
In 2021, at the height of the insurgency, al-Shabaab numbered an estimated 2,500 fighters. With support from the Rwandan Defense Forces, which are assisting the Mozambican military on a European Union-funded mission, the number of insurgents was reduced to about 300, who operate in small, mobile units. However, in 2024, an uptick in attacks by terrorist cells was noted.

At the end of 2024, a wave of ISM attacks in the districts of Macomia, Ancuabe and Chiure, with spillovers from the latter into Nampula province, created new challenges for the Rwandan Defense Forces. In addition, the so-called Naparama militia and communal self-defense forces started to reappear. In the north of the province, they had grown out of local FRELIMO structures and had been part of the security response to ISM. However, the new Naparamas in the southern parts of Cabo Delgado do not have any allegiance to the state and have displayed distrust toward the Mozambican Defense Forces.

Question
Score

Monopoly on the
use of force

6



Mozambican identity emerged from the decolonization process and became central to the FRELIMO's party ideology. Cohesion was derived from opposition to the colonial power. To unite the various ethnic groups, FRELIMO ignored the ethnic question and the issue of equal representation, with the result that, soon after independence, Changana and Makondes became dominant political figures in the ruling party. The differences in culture and tradition were subordinated to political objectives and promoted as folkloric rather than identity-shaping. President Samora Moisés Machel's concept of "the New Man," combined with the instrumentalization of the Portuguese language, provided the key to Mozambicanity.

Subidentities continue to exist and flourish, accompanied by heightened frustration and disillusionment among citizens. However, the Mozambican constitution prohibits parties with an ethnic or regional character, so political forces must be careful to address only particular grievances.

Regardless of existing subnational identities, Mozambicans' identification with the nation remains strong. In the 2022 Afrobarometer survey, 25.2% of respondents said they identified primarily as Mozambican, and 47% said the nation was as important to them as their ethnic group. The government is trying to expand the civil registry and has made it easier and cheaper to register children (during the first three months it is free, and afterward it costs about €1).

However, a decline was observed in the 2024 Demographic Health Survey. While 49% were registered in 2017, only 32% were registered in 2024. The decline is mainly related to the security situation in the North, where about 30% of births occur, and where accessibility remains a problem.

According to the International Organization for Migration (IOM), 55% of Mozambicans have a birth certificate – still far from the 80% objective the government set in 2018. Only 34% of Mozambicans have an identity card.

Mozambique is a secular state with a strict separation between the state and religious communities. Various denominations are protected by the constitution. Likewise, the constitution prohibits, among other things, discrimination based on religion. However, the rise and spread of neo-evangelical churches (more than 1,000 do not seem to be officially registered) and their business activities have drawn the attention of authorities, who worry that those churches might exploit the most vulnerable.

In the conflict between FRELIMO and RENAMO, the Catholic Church has played an important role as a mediator. Sant'Egidio, a Catholic lay community, facilitated peace talks in the early 1990s and again after the violent conflict between the two parties reemerged in 2014. In November 2024, the Southern African Catholic Bishops Conference called on the authorities to resolve the causes of the violence in Mozambique's streets, and some analysts called for the Catholic Church to play a mediating role before opposition presidential candidate Venâncio Mondlane returned from exile.

State identity

9



1

No interference of religious dogmas

9



1

In the context of the Islamist insurgency in Cabo Delgado, interreligious dialogue remains an important instrument. In January 2022, Christian and Muslim leaders published the “Declaração Inter-religiosa de Pemba,” in which they committed to working to overcome the belief that religion, particularly Islam, could be a root cause of the conflict. Their work also involves sensitizing law enforcement officers in order to limit the detention of Muslims unconnected to the insurgency.

The Muslim community in Mozambique has practiced a tolerant Islam for centuries. For example, representatives of the Islamic Congress in Pemba denounce “ultraconservative” clerics from Kenya and Tanzania for bringing a radical Islamist ideology to the country’s territory.

NGOs, particularly human rights organizations and the media, have frequently warned that attributing solely religious motives to terrorists risks exacerbating existing socioeconomic grievances among historically marginalized Muslim-majority populations.

Basic administrative structures and services exist in Mozambique but at a very low level. The situation in the province of Cabo Delgado remains severe, as core infrastructural elements such as health posts and schools have been destroyed by terrorist attacks, and approximately 1.7 million Mozambicans were still in need of humanitarian assistance as the review period closed. In addition, the climate change-related natural disasters that now occur almost annually are setting the country back, particularly in the provision of basic services. On average, about 500,000 Mozambicans are affected by such events; health infrastructure is destroyed, and sanitation infrastructure is severely affected. In December 2024, Cyclone Chido destroyed 32 health facilities in Cabo Delgado (out of 82). In January 2025, Cyclone Dikeledi destroyed 48 health facilities and 221 schools in Nampula province.

In addition, the Mozambican government’s shift in budgetary priorities in favor of security sector support and debt service has further reduced its capacity to provide public goods and services (security, economic stability, basic social and infrastructure services in education, health, water supply) regularly, in sufficient volume and with sufficient quality. An overall decline can be noted over the past 10 years, further increasing regional disparities and the urban-rural divide.

According to 2024 data from the Ministry of Public Works, access to drinking water has substantially improved. In 2022, 66% of Mozambicans lacked such access; now, 87.9% of the population in urban areas and 51.2% in rural areas have access to a safe water supply. However, sanitation remains a challenge, as only 21.4% in rural areas have the necessary infrastructure.

The number of health facilities increased by 10% between 2019 and 2023, reaching a total of 1,841. However, Mozambique has only 15 central and provincial hospitals, 55 district hospitals, a total of 1,659 health centers and 112 health posts. The National Health Service provides 90% of health services, although private sector facilities are increasing, particularly in urban areas.



Household connectivity to the electricity grid has improved as well. The share of households with access to electricity increased from 47.8% in 2022 to 53.4% in 2023. According to GSMA, the umbrella organization for mobile operators, about 55% of the total population in Mozambique has cellphone connections or access to them.

2 | Political Participation

Although some analysts already call Mozambique an autocratic regime, it maintains the facade of an electoral democracy. Every five years, Mozambicans exercise their constitutionally enshrined right to elect their political leaders at the local and provincial levels, as well as members of the national parliament and the country's president. The constitution imposes a two-term limit on the presidency. Before the last elections, there were some signs that President Filipe Jacinto Nyusi might try to tamper with the term limit provision, but in the end, he rejected this course.

The quality of elections in Mozambique has deteriorated substantially over time, and the autarquias (autonomous municipality) elections in 2023 were marked by widespread fraud. Neither parallel counts nor the presence of election observers from parties and civil society were able to deter polling station staff who aided the ruling party.

On October 11, 2023, Mozambicans in the 65 autarquias were able to cast their ballots. These special local elections were held for the sixth time, and 21 political forces participated.

When the National Electoral Commission (CNE) proclaimed the election results, FRELIMO was victorious in all but one municipality. That was Beira, a stronghold of the Democratic Movement of Mozambique (Movimento Democrático de Moçambique, MDM). However, parallel counts indicated that the RENAMO party had in fact won at least seven municipalities. When complaints were brought to the Constitutional Council (CC), acting as an electoral court, it declared RENAMO to be the winner in four municipalities – taking votes from FRELIMO and allocating them to RENAMO in an untraceable way that also failed to correspond to the parallel counts. The CC also ordered that voting be rerun at some polling stations, along with a complete rerun in Marrromeu. But the rerun was even worse, and Mais Integridade, the civil society observation consortium, concluded that “no institution can declare with any credibility or certainty which list has won.” Nevertheless, the Constitutional Council declared FRELIMO to be the winner.

Fraudulent actions invalidated ballot papers for RENAMO by spilling ink on them during the counting process. Ballot-box stuffing also helped FRELIMO and led to official voter participation rates of more than 80% in some polling stations.

The constitutionally mandated district elections that were supposed to be held in 2024 were abolished in August 2023 by a FRELIMO parliamentary majority – against the will of the opposition.

Free and fair elections

3



Problems with the 2024 general elections – including elections for the National Assembly, the 10 provincial assemblies and the presidency – began with the voter registration process.

Mozambique creates a new voter register for each election. For the October 9, 2024, elections, the Technical Electoral Secretariat (STAE) merged the municipal election register with the 2024 voter register. The total number of potential voters was based on projections from the 2017 national census. However, discrepancies between the National Statistics Institute's population projections and the electoral register fueled mistrust in the voter roll from the start.

The in-country registration rate was 103% compared with projected population figures.

Variations across provinces ranged from a rate of 86.21% in Niassa to 150.01% in Gaza. The latter is not easily explained, given that the flow of internally displaced persons is in the north, not in the southern province of Gaza.

The Electoral Consortium Mais Integridade (CEMI) observation group noted the presence of favoritism toward FRELIMO members or supporters in access to registration, an unequal distribution of registration teams favoring FRELIMO strongholds, cases of observers being denied access, allegations of registration by underage individuals, difficulties in using registration kits, and logistical shortcomings in both the 2023 and 2024 electoral processes. Weeks before the election, opposition parties reported to observers that voter cards in opposition strongholds were being collected in exchange for money.

Thirty-five political parties were approved to contest the legislative elections in October 2024, as well as 16 political groups to run in the provincial elections. The rejection of the Democratic Alliance Coalition (CAD) shortly after it declared its support for Venâncio Mondlane as a presidential candidate was seen by the opposition as a maneuver to leave Mondlane without a platform for the legislative race. Mondlane, who had been RENAMO's candidate in the municipal elections for mayor of Maputo, had a falling-out with RENAMO when he sought party leadership. Nevertheless, he entered the race as an independent candidate and later gained the support of PODEMOS.

Election campaigning, as such, was peaceful. Fundamental freedoms were largely respected, with some incidents disrupting opposition campaigns. As in previous elections, the playing field was distorted, as FRELIMO used state resources for campaigning and called on civil servants for support. Amid a steady erosion of press freedom, coverage of FRELIMO activities dominated the media. The media had access to the tabulation of results. The large presence of election observers from national consortia and of 564 international observers made it possible to collect substantial proof of widespread electoral fraud and the flawed authenticity of the

election results as documented in polling station sheets. Transparency and trust in electoral results were shattered when neither the National Electoral Commission (CNE) nor the Constitutional Council, acting as an appellate body, addressed the complaints. The CNE claimed that it could not cross-check the veracity of polling station sheets, while the CC acknowledged major irregularities but refused to carry out recounts. With some exceptions, the CC shifted votes between parties before officially proclaiming the election results on December 23, two months after the vote.

In the meantime, the post-electoral months became the most violent such period nationwide that Mozambique has experienced to date. Nine days after the poll and shortly before the CNE was to announce the provisional results, Mondlane's legal advisor Elvino Dias and PODEMOS spokesperson Paulo Guambe were assassinated, and protesters were also fired upon.

At an initial press conference held by a united opposition front on October 30, all opposition party leaders rejected the provisional and final results and called for street protests to call for electoral justice. They requested publication of the results sheets and their verification through a forensic audit. They appealed to the CC to restore the legality of the elections or to annul the poll. They held the electoral authorities, the police and FRELIMO responsible for the post-electoral violence.

The repression of the protests was particularly violent after the final results were announced on December 23, 2024. As of mid-January, according to the Decide electoral platform, about 314 people had been killed in the protests by firearms, about 633 injured by firearms and more than 4,236 arrested by police.

While most opposition parties continued to protest, and RENAMO and MDM members of parliament boycotted the inaugural session, PODEMOS participated, and Mondlane returned to Mozambique after spending some months in exile during the peak of the election-dispute violence.

The election results as finally validated by the CC substantially altered the provisional results published by the CNE. In this final tally, presidential candidate Daniel Chapo received 65.17% of the vote (provisional results were 70.67%) and Venâncio Mondlane received 24.19% (provisional results were 20.32%), while Ossufo Momade received 6.62% and Lutero Simango received 4.02% (provisional results were 5.81% and 3.21%, respectively).

Furthermore, the CC decided to decrease the number of parliamentary seats that the CNE attributed to the FRELIMO party in its provisional count from 195 to 171 (24 fewer seats), increase PODEMOS' seats from 31 to 43, increase RENAMO's seats from 20 to 28 and increase MDM's seats from four to eight.

The ruling party, FRELIMO, faces no veto powers. Having once again secured a two-thirds majority in the National Assembly, President Chapo has secured backing. Challenges might continue to arise sporadically from frustrated youth and citizens taking their socioeconomic grievances to the streets. At this point, it remains unclear whether or to what degree Chapo might face subtle interference from his predecessor, former President Nyusi, who built his power around a small circle of FRELIMO cadres, mainly from Cabo Delgado province, and who remains the president of FRELIMO.

Although the constitution and law provide for the freedoms of peaceful assembly and association, the government seeks to limit such activities.

A new NGO law introduced in parliament in 2022 would have permitted excessive government interference in NGOs, including the authority to shut down an organization. It also would have increased the number of required constituent members, contrary to the African Commission Guidelines on Freedom of Association and Assembly, which provide that “no more than two people shall be required to found an association.” The government said the law was intended to counter money-laundering and terrorist financing. It justified its decision by arguing that the Financial Action Task Force (FATF), an influential intergovernmental organization that monitors countries’ efforts to counter money-laundering and terrorist financing, had placed Mozambique under increased monitoring in 2021. After months of advocacy and vocal criticism, parliament approved a toned-down revision and emphasized to the government that preventing and combating money-laundering and terrorist financing should not come at the expense of fundamental rights.

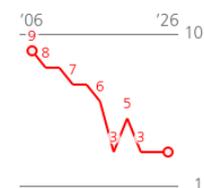
Although government authorization is not required by law for peaceful demonstrations, local authorities require four business days’ notice.

Even outside the electoral context, security forces sometimes respond to peaceful demonstrations with violence and arrests. When citizens demonstrated peacefully throughout the country to commemorate the death of popular rapper and social activist Azagaia, police responded with intimidation, crowd dispersal with tear gas, detentions of some demonstrators and, in some cases, violence.

In the post-election period, when citizens demonstrated against electoral fraud and the lack of CNE transparency, and when presidential candidate Venâncio Mondlane and the opposition parties called for a national strike and were met with fierce and violent repression, the fundamental freedoms of assembly and demonstration were substantially violated.

Effective power to govern

3



Association / assembly rights

2



The constitution provides for the freedom of expression, including for members of the press and other media. Mozambique has a diverse media landscape, including multiple private and local media outlets. In general, media outlets and individual journalists regularly report on a broad range of topics and criticize the government, the FRELIMO party and prominent political figures. Most critical articles do not result in retaliation from the government or FRELIMO. However, the government does not adequately protect or respect these freedoms. Academics, journalists, opposition party officials and civil society organizations report an atmosphere of intimidation and fear that restricts freedom of speech, the press and other media. Journalists acknowledge that they practice self-censorship for fear of reprisals.

During the 2023 and 2024 elections, blockages of internet and cellphone services, WhatsApp communications, and opposition candidates' social media sites were reported. Cyberattacks on independent media outlets have occurred. Restrictions on media freedom have also been widely reported, including attacks, intimidation and harassment of journalists. Human rights defenders reporting on irregularities in the electoral process or participating in protests have been intimidated and threatened.

Press freedom is substantially curtailed when journalists investigate the armed conflict in Cabo Delgado. Soon after the conflict began in October 2017, the government barred journalists from visiting the province, and many who reported on the conflict anyway were detained for extended periods or arrested on unsubstantiated charges. One recent disappearance involved Arlindo Chissale, a journalist reporting on the situation in Cabo Delgado, who went missing on January 7, 2025, and was assumed to have been killed by so-called death squads.

3 | Rule of Law

The separation of powers enshrined in the constitution is effectively canceled out by the ruling party's overwhelming majority in parliament; the executive's power to nominate members of formally independent institutions such as the Electoral Commission, the Constitutional Council and the Supreme Court; the judiciary's financial dependence on the executive; and strong presidential powers.

What applies to the horizontal separation of powers applies equally to the vertical separation of powers. The deal with RENAMO brokered within the framework of peace negotiations (Maputo Accord for Peace and National Reconciliation) established new decentralized governance structures that de facto embody a recentralization of authority, as entities such as the secretary of state in the province (SEP) are directly subordinate and accountable to the Council of Ministers.

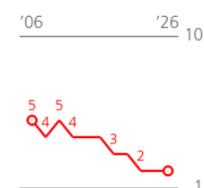
Freedom of expression

3



Separation of powers

2



The judiciary's financial dependence on the executive is a major obstacle to its independence. This dependence concerns both the personal circumstances of individual judges and the resources available for the operation of courts. Despite protests by the Mozambican Association of Judges (AMJ), the judiciary was integrated into the public service payment system *Tabela Salarial Unica* (TSU) in 2022. Thus, any demands for financial benefits must be directed to the executive and depend on its political will. The heads of the Supreme Court (TS) and Constitutional Council (CC) have led the sector in its pursuit of autonomy, but so far without much success. Sectoral priorities are decided by the executive even within overall approved budgets.

Similarly, bringing judges into the executive and then allowing them to return to the judiciary can be seen as creating a potential conflict of interest. In addition, the possibility that presiding judges could be renominated to their prestigious office may invite political pressure on the candidate.

In the Mozambican judicial system, checks and balances are ostensibly vested in the Administrative Tribunal, the supreme state auditing body, and the Constitutional Council. However, in the case of the Administrative Tribunal, a lack of human resources and financial dependence on the executive limit its role. The nomination of judges to the Constitutional Council by political parties represented in parliament calls into question these judges' impartiality and independence from their nominating political force.

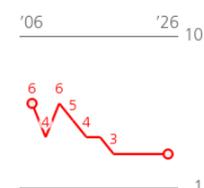
Of the seven judges, five are appointed by parliament, one by the president and one by the *Conselho Superior da Magistratura Judicial*, the disciplinary organ within the judiciary.

Beyond the political pressure, interference and financial dependencies, widespread corruption in the judicial system undermines its independence. The inspector of the judiciary and the *Conselho Superior da Magistratura Judicial* seek to preserve discipline and adherence to ethical standards. In this regard, the *Código de Ética dos Magistrados Judiciais* was introduced in April 2023, and a revision of the *Código de Ética e Deontologia Profissional dos Magistrados do Ministério Público*, established in 2017, is underway.

Although public figures have been prosecuted over the years for mismanagement, embezzlement of funds and corruption, the suspicion that such cases could be politically motivated or stem from personal rivalries persisted. Certainly, prosecutions were justified, but their selective nature has been evident. For instance, one of former President Armando Guebuza's sons was prosecuted when the incumbent president, himself under pressure in the "hidden debt" scandal, was falling out with his predecessor.

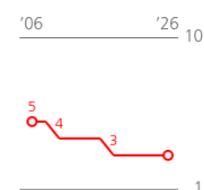
Independent judiciary

3



Prosecution of office abuse

3



Although Mozambique has sound laws to combat corruption, parliament considered it necessary in 2023 to pass a law requiring public servants to declare their assets upon assuming a position or mandate. When the new president took office in January 2025, the “lei da probidade publica” had been mentioned repeatedly, as civil society and academics wanted to see it implemented. However, implementation and prosecution of office abuse by officeholders or family members remain a serious problem in Mozambique.

In the ongoing “hidden debt” scandal, the latest occurrence was the extradition of former Finance Minister Manuel Chang from South Africa to the United States, where he has been on trial since July 2024. Neither Chang’s legal team nor Mozambican authorities succeeded in convincing South African authorities to extradite Chang to Maputo, where he might have faced a more lenient trial. Testimony from the U.S. trial will hopefully clarify the role of former Defense Minister and President Filipe Nyusi in the “hidden debt” scandal.

Infringements on civil liberties in Mozambique had already intensified before the 2023 municipal elections, and escalated further when protests erupted after the blatant election fraud of October 2024. Impunity among members of state security forces, law enforcement officers and civilian authorities remains a significant problem.

The National Human Rights Commission (CNDH) is mandated to promote and defend the human rights provisions of the constitution and the law. However, the CNDH lacks the resources and authority to prosecute cases, instead referring such cases to an overwhelmed judiciary. Its lack of resources and formal staff training in human rights also hinders its effectiveness.

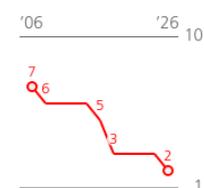
Regarding civic and political rights, the list of violations has increased from one reporting period to the next.

Reports of citizens dying in police custody are becoming more frequent. The killings of Mozambicans associated with opposition forces, including Rafael Diquissone, a demobilized RENAMO veteran (Tete 2023); Paulo Guambe, a representative of PODEMOS; and Elvino Dias, the lawyer for presidential candidate Venâncio Mondlane, made headlines. However, during the riots by citizens, more than 25 PODEMOS members were killed. It is suspected that, as in other prominent assassinations of the past, such as those of Carlos Cardoso and Gilles Cistac, official investigations will soon come to nothing. In Mozambique, political opponents are rarely detained but may be assassinated by unknown forces. Ransom-related abductions continue to be a business model for organized crime.

During demonstrations, it has become standard for the police (PRM) to use disproportionate force. The use of lethal ammunition against people protesting electoral fraud in the 2023 local elections and the 2024 parliamentary, provincial and presidential elections caused a significant number of deaths and many more injuries. Shortly after Christmas 2024, when the Constitutional Council (CC) validated the election results, 125 protesters were killed over three days throughout Mozambique.

Civil rights

2



Arbitrary arrest and detention are both frequently reported by civil society organizations, with opposition forces often the target. For those arrested, lengthy pretrial detentions constitute an additional infringement of civil rights.

Particularly in the northern province of Cabo Delgado, civil rights are further eroded by state security forces and terrorist groups. Civil society activists and journalists are particularly vulnerable targets. Acts of terrorism against civilians include beheadings, rape, sexual slavery, kidnappings and the use of child soldiers. Local communities also report abuses and harassment by security forces.

4 | Stability of Democratic Institutions

The continuous dominance of the ruling party in parliament – currently holding 171 of 250 seats – gives it an absolute majority and limits the checks and balances that opposition parties can provide. The extent to which traditional opposition parties will liaise strategically with the new opposition party to advance their political projects remains to be seen.

The parliament of Mozambique certainly qualifies as a working parliament, with 541 legislative initiatives introduced by the legislature in 2023 (455 in 2022). By comparison, the executive brought only 56 proposals to parliament. Of 156 petitions brought before parliament, 134 were discussed and concluded in 2023.

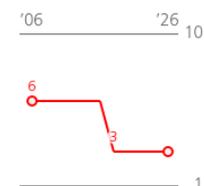
The increase in the number of independent municipalities (known as *autarquias*) from 53 to 65 ahead of the 2023 elections has been heavily criticized, as the existing municipalities already had difficulty carrying out their tasks because of a lack of financial resources. For a gradual political decentralization to be effective, it would have to be accompanied by sound financial decentralization. However, the political will to take such a path does not seem to exist.

According to the Ministry of Justice, the quantitative performance of the judicial sector increased slightly in 2023. In 2022, 12.4% of additional cases were resolved. However, a 13.7% increase in new cases contributed to the growing backlog in the judicial system. The average time spent on individual cases was reduced from seven to six months. The rollover of 13,342 cases from 2022 to 2023 by the Public Prosecutor's Office shows the limited capacity within the Mozambican judicial system.

In his inauguration speech, President Chapo proclaimed support for the judiciary's financial autonomy and its digitalization to enhance access to and efficiency of the courts.

Performance of democratic institutions

3



All political parties in Mozambique claim to be custodians of the country’s democracy. Elections are organized regularly, but are fraudulent. National and international election observers are permitted to observe, and even President Nyusi, who had shown autocratic tendencies, abstained from changing the constitution and claiming a third mandate.

However, the continuous and aggravated fraud in the 2023 municipal elections and the 2024 parliamentary, provincial and presidential elections reveals a hollow and false commitment to democratic institutions. The National Election Commission (CNE) and the Constitutional Council are under the ruling party’s influence, and are thus not accepted as legitimate by many.

5 | Political and Social Integration

Although 37 political parties and alliances participated in the October 2024 parliamentary elections, the ruling FRELIMO party remains dominant after nearly 50 years in power. Yet the status quo – a dominant FRELIMO and, since the last elections, the weakened RENAMO and MDM opposition parties – has been shaken by the rise of the Optimist Party for the Development of Mozambique (Partido Otimista pelo Desenvolvimento de Moçambique, PODEMOS). PODEMOS became the largest opposition party by benefiting from its association with presidential candidate Venâncio Mondlane after he lost support from the CAD (Coligação Aliança Democrática) alliance two months before the elections, when the Constitutional Council validated the National Election Commission’s decision that CAD had neglected reporting obligations regarding a change in membership. PODEMOS is often characterized as an offspring of FRELIMO by young activists who previously supported Samito Machel, who sought independence from FRELIMO when running for mayor of Maputo. The party says it promotes liberal socialism and a separation of powers, or what it calls the “democratization of the state.” Because the pact of convenience between PODEMOS and charismatic leader Mondlane did not last long into 2025, it remains to be seen whether PODEMOS – created in 2019 and without any parliamentary seats to date – will be able to prove its place in Mozambique’s party system. The opposition party MDM has done so, winning two additional seats in 2024, now holding a total of eight. Given the revision of election results by the Constitutional Council and strong allegations of electoral fraud by national and international election observers, it may be misleading to see RENAMO’s losses as a capture of its voters by PODEMOS. But PODEMOS likely drew its membership not only from disgruntled FRELIMO members but also from frustrated and disillusioned first-time voters and, perhaps, traditional RENAMO voters.

Clientelism still serves FRELIMO well and remains the key to intraparty allegiance. But cracks have begun to appear, particularly after the party’s capture by Filipe Nyusi and FRELIMO’s atypical nomination process for his successor.

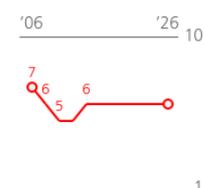
Commitment to democratic institutions

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Party system

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The Association of Mozambican Medical Doctors has publicly advocated for its members, calling several times over the past two years for a suspension of medical services. Its main grievances concern deteriorating working conditions – such as a lack of basic medical products and laboratory equipment – and the failure to be paid for overtime.

Similarly the National Association of Teachers called for a boycott of the final exams at the end of 2024 because working conditions, particularly the remuneration for extra teaching hours, had not been resolved by the government.

As these two examples show, professional associations remain rigorous and independent in their demands and interactions with the government.

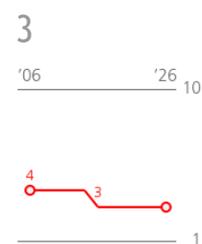
Although the trade union movement still constitutes the largest mass-based organization and has increased its membership to just over 350,000 thanks to the expansion of private sector employment, the extension of unions to the public sector and the inclusion of domestic and informal workers have not materialized. However, its relevance and influence remain limited because of the movement’s traditionally close relationship with the ruling party, FRELIMO. In addition, the current authoritarian political culture, characterized by the suppression of debate and contentious politics, curtails class-based action.

In the private sector, Mozambique’s business associations have continued to grow. The Confederation of Economic Associations (CTA) has become the country’s most powerful umbrella organization for the business sector. With 140 members from industry federations, chambers of commerce and business associations, CTA covers all 11 provinces and consistently calls for improvements to the private sector business environment. Equally vocal is the Association of Commerce, Industry and Services (ACIS), which represents about 400 companies. ACIS also advocates for a more productive and competitive business sector, which it says would benefit the country’s economic and social development.

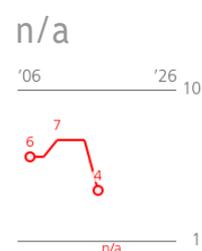
Mozambicans have a strong sense of democracy and, by overwhelming majorities in Afrobarometer surveys, reject one-party rule (64.3%), military rule (61.2%) or an autocratic presidential regime (49.8%). Democracy is considered the best form of government by 48.7%. However, 48.1% report dissatisfaction with Mozambican democracy; 30.3% see major problems and 10.5% consider the system as being not democratic. Among Mozambicans, 29.7% perceive democratic backsliding compared with five years ago.

However, considering the dissatisfaction with the state of Mozambique’s democracy, it is surprising how much trust is placed in institutions aligned with the state, which is dominated by the ruling party FRELIMO. Institutions that provide checks and balances, such as parliament and opposition parties, enjoy the trust of only 41.7% and 40.6% of survey respondents, respectively. The ruling party and the president, by contrast, enjoy the trust of 52.3% and 52.7% of Mozambicans.

Interest groups



Approval of democracy

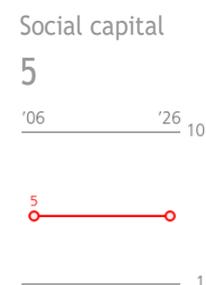


The degree of trust in religious leaders has become striking, with 61.0% of survey respondents expressing such confidence, significantly more than the share expressing trust in traditional leaders (51.1%).

Politicization and political violence have become obstacles to the expansion of social capital in Mozambique. Mistrust in state institutions also extends to those providing basic services or engaged in disaster management. Mozambicans show solidarity in times of crisis, but tend to do so away from state or party institutions. Mozambique's society is rich in associations, NGOs and self-help organizations seeking to compensate for a state unable to provide essential services.

In the country's extremely tense political climate, trust is eroding. Even the share of the population expressing trust in traditional leaders, which was 62.1% in the last BTI round, has now declined to 54.3% in rural areas (Afrobarometer). Tolerance toward other religions, ethnic groups, gender orientations and migrants is substantially higher in urban than in rural areas, with a gap of more than 10 percentage points.

However, when asked about the strength of social ties to other Mozambicans, 74.9% of respondents in urban areas and 71.9% in rural areas agree or strongly agree that they have these bonds.



II. Economic Transformation

6 | Level of Socioeconomic Development

Poverty rates remain high despite decades of proclaimed government dedication to addressing this issue. Indeed, poverty remains the main challenge for Mozambique's development. In 2024, 67.57% of the population lived below the poverty threshold of \$2.15 per day. In particular, the "hidden debt" scandal; the resulting devaluation of the metical, the country's currency; the impact of COVID-19 on the economy; the ongoing threat of terrorist activities in the north; and the annually recurring natural disasters triggered by climate change have set back socioeconomic development for a majority of the population. During the last BTI reporting period, megaprojects in the gas sector generated substantial economic growth (an annual rate of 5%) but failed to create desperately needed jobs. The rate of multidimensional poverty that takes into account non-monetary sources of income also remains high at 60.7% (2022 – 2023).

Data provided by the Mozambican government on Mozambique's employment rate are misleading because of the very broad definition used in the latest population survey (Inquerito ao Orçamento Familiar, 2023). According to the National Statistical Institute (INE), a person aged 15 or older was considered employed if the person



worked at least one hour and was paid in money or in kind or was considered part of the family labor force. Unsurprisingly, 71.4% of the working-age population was considered employed. However, when the definition is narrowed to “paid work,” the scale of Mozambique’s employment challenge becomes visible: Only 13.8% of employed workers receive a salary.

Poverty rates differ substantially between urban (54.8%) and rural areas (68.4%). However, in urban areas, only 48.8% of women are considered employed, as most follow social traditions by taking care of the household and children. Among rural women, who mainly work in agriculture in addition to caring for their families, the employment rate is much higher (81.7%). The imbalance between living costs and minimum wages in almost all sectors forces most Mozambicans to find additional forms of income to make ends meet.

Inequality in Mozambique is spatial and associated with geographically uneven economic development and areas prone to natural disasters (for example, an economic boom in Tete province versus the impact of various cyclones hitting Sofala and Nampula provinces). The Gini coefficient, based on 2019 World Bank data, is 50.4, placing Mozambique among high-inequality countries globally, a list led by South Africa (63.0).

With only 17.86% of women aged 25 or older having completed secondary education, opportunities for these women remain limited. On the UNDP’s Gender Inequality Index, Mozambique remains near the bottom at rank 118 (Niger, for example, is at 155th place). In the overall assessment of human development, no improvement has been noted, and Mozambique remains in the low-development group at rank 183 (out of 193) on the Human Development Index (HDI).

Economic indicators		2021	2022	2023	2024
GDP	\$ M	16168.1	18883.5	20954.2	22416.7
GDP growth	%	2.4	4.4	5.4	1.9
Inflation (CPI)	%	6.4	10.3	7.1	4.1
Unemployment	%	4.1	3.6	3.5	3.5
Foreign direct investment	% of GDP	32.8	16.0	12.8	15.7
Export growth	%	16.8	26.5	-5.3	-3.0
Import growth	%	9.7	30.9	-25.2	-1.5
Current account balance	\$ M	-3426.5	-6366.8	-2207.2	-2493.1

Economic indicators		2021	2022	2023	2024
Public debt	% of GDP	104.3	100.3	90.9	93.2
External debt	\$ M	62668.4	64383.9	66847.7	-
Total debt service	\$ M	7084.5	5766.5	4338.7	-
Net lending/borrowing	% of GDP	-2.3	-3.6	-1.9	-4.4
Tax revenue	% of GDP	22.7	22.7	22.3	22.2
Government consumption	% of GDP	18.7	16.5	17.2	17.1
Public education spending	% of GDP	6.3	6.0	-	-
Public health spending	% of GDP	2.5	2.7	-	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	2.0	1.5	1.7	-

Sources (as of December 2025): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

7 | Organization of the Market and Competition

Mozambique's constitution, established in 2004, provides for market-based competition under Article 97. In joining the African Continental Free Trade Area (AfCFTA), of which Mozambique became a full member in January 2025, the government reiterated its commitment to a free-market economy. Yet despite the government's goals of diversifying economic production and investment, Mozambique's economy is still characterized by structural distortions, such as dependence on megaprojects and natural resources, the dominance of the agricultural sector, and entrenched informality.

Eighty percent of employment is informal, and the informal economy contributed about 44.7% of Mozambique's GDP in 2021 (Autoridade Tributaria de Moçambique). Informality dominates the agricultural sector (70.9%), followed by commerce (9.3%) and livestock agriculture (6.1%). Given the small swathe of formal economic activity, the state's presence via state-owned enterprises (SOEs) remains large compared with other countries in the region. Mozambique has 12 state-owned enterprises, 18 enterprises in which the state is the majority stakeholder and 23 companies with minority state ownership. SOEs pose a risk to public finances, while also distorting the market by either receiving state subsidies to survive or by following distinct procurement processes. SOEs in Mozambique primarily dominate the transport and storage sector, communications, and agriculture.

Market organization

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Megaprojects, which are mainly funded internationally, have not increased the diversification and development of local economies as hoped. Sound local content policies by Mozambican regulators remain badly needed.

In 2009, the government of Mozambique revised its Code of Fiscal Benefits (Law No. 4/2009 and Decree No. 56/2009) with the aim of attracting investment of public interest. Fiscal benefits are granted to a wide range of activities and sectors with the objective of attracting investment to regions with low levels of economic activity and limited infrastructure. Because these initiatives are available to both domestic and foreign investors, they do not distort market competition.

The Competition Law (No. 10/2013) established a modern legal framework for competition in 2013 and created the Competition Regulatory Authority (ARC). The process of setting ARC in motion has been extremely slow, although ARC, as a public legal entity vested with regulatory and supervisory powers and a sanctioning mechanism, also needed an adequate legal framework for its operations. After its statutes were enshrined in Decree 101/2021, ARC has been able to investigate practices such as price fixing or market allocation among competitors. Infringements of competition regulations can result in financial penalties of up to 5% of the infringing party's turnover in Mozambique in the preceding year and can lead to exclusion from public procurement processes for up to five years.

In its early years, ARC focused its market analysis primarily on the cement and sugar industries. In August 2022, Dugongo Cimentos (a joint venture between Chinese and Mozambican investors with links to the ruling party) was fined \$320,000 for undercutting cement prices in Maputo province. ARC is cooperating with the group of Portuguese-speaking African countries (Países Africanos de Língua Oficial Portuguesa, PALOP) as well as international organizations such as United Nations Conference on Trade and Development (UNCTAD) and the International Competition Network (ICN). At the national level, it worked with the attorney general's office to pursue financial crimes and train public prosecutors in competition law.

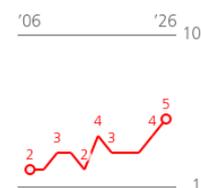
Mozambique is a committed World Trade Organization (WTO) member that underwent its latest trade policy review in July 2024.

In 2023, the WTO put Mozambique's simple average most-favored-nation (MFN) tariff rate at 10.3%.

Trade is a vital component of Mozambique's development, and the country has made significant progress in integrating into the global economy. Exports remain dominated by coal, aluminum, natural gas and electricity (71% of export earnings in 2023). Its main trading partners have been the European Union, India, South Africa and, increasingly, China. Industrial products, machinery and food, as well as agricultural inputs and refined petroleum products, are the main imports.

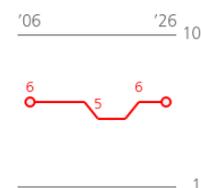
Competition policy

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Liberalization of foreign trade

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The new Trade Policy and Strategy (PEC 2023 – 2032) aims to further facilitate trade by digitalizing processes and reducing the number of procedures and documents needed for imports and exports. This should reduce the time and cost of border compliance and, in the future, be further facilitated by a “single border” with neighboring countries. As a result of pressure from WTO members, the mandatory use of customs clearance agents was eliminated in 2023. In recent years, the government has continued to develop its Electronic Single Window, which allows electronic submission of customs declarations and other trade-related documents, reducing the time and cost of trade operations. However, clarity and predictability regarding the Electronic Single Window user fee and clearance times, as well as Mozambique’s approach to non-tariff barriers, including de facto pre-shipment inspections (PSI) and technical regulations, remain concerns for trading partners.

In addition, companies express concern that the value-added tax (VAT) exemption in the country’s special economic zones and industrial free zones is available only to some local and foreign companies, and that VAT refunds for transactions with those privileged companies remain time-consuming.

Mozambique continues to require pre-shipment inspections for all pharmaceutical products exported to the country, and some trading partners, including Indian companies, complain that these stringent inspections are increasing their costs.

The country continues to maintain import quotas on poultry in order to protect its domestic industry. In 2023, Mozambique’s most-favored-nation tariff (weighted mean for all products) was 5.5%, with a higher average for agricultural products at 8.6%.

In January 2025, Mozambique became a full member of the African Continental Free Trade Area (AfCFTA). However, to benefit from this relationship, Mozambique needs substantial investments as well as further diversification and transformation of its economy. Among African governments – and Mozambique is no exception – the AfCFTA Guided Trade Initiative is seen as a vital catalyst for trade, despite its limited scope and the limited turnover in trade products so far.

According to the Mozambican central bank, there are 27 credit institutions operating in Mozambique, most of which are foreign-owned. Banco Comercial de Investimentos (BCI), Banco Internacional de Moçambique SA (BIM) and Standard Bank are considered domestic systemically important banks. They account for approximately two-thirds of total banking assets, 55% of loans and 69% of total deposits in Mozambique.

The share of Mozambicans who have access to or can afford a bank account remains low, at about 30% (2021). However, access to financial services is improving thanks to mobile money transactions run by mobile communications companies.

Banking system



According to the Mozambican central bank, banking sector indicators in 2024 remained stable, adequate and profitable. The capital adequacy ratio stood at 25.67% in 2023, above the regulatory minimum of 12%, a threshold that accommodates the capital buffers of domestic systemically important banks. Banking sector liquidity remained at satisfactory levels, standing at 47.42%, above the regulatory minimum of 25%.

Despite the positive performance on capitalization and liquidity indicators, asset quality, as measured by the ratio of non-performing loans (NPL) to total gross loans, remains above the internationally recommended maximum of 5%, reaching 8.24% in 2023. Non-performing loans are found especially in the agricultural (18.52% of the total), transport and communications (13.12%), and trade (8.10%) sectors.

The central bank maintained an overall restrictive monetary policy during the review period, although it reduced the monetary policy interest rate from 17.25% to 16.5% in January 2024 following an easing of inflationary pressures. This move followed the central bank's significant increase in the reserve requirement ratio for domestic banks in January 2023. For local currency deposits, the reserve requirement rose from 10.5% to 28%; for foreign currency deposits, from 11.5% to 28.5%. Foreign investors' export activities in the food, fuel and health markets generally have access to credit in foreign currency. All other sectors have access to credit only in the local currency.

Mozambique's continued presence on the Financial Action Task Force (FATF) gray list led correspondent banks to apply additional scrutiny to transactions with the country. As part of efforts to combat terrorism, proliferation financing and money-laundering, this verification process involves a stricter evaluation of financial transactions, leading to longer processing times and greater documentation requirements and implying higher monitoring costs for financial institutions.

The Sovereign Wealth Fund of Mozambique, created by Law No. 1/2024, January 9, is held in a transitional account at the Mozambican central bank. The fund will be financed by revenues from gas exploitation projects and received an allocation of \$114 million to start. Its operations will be guided by an investment advisory council, composed of seven government-appointed members, and it will have a supervisory committee appointed by parliament that includes members of civil society. It remains to be seen how the distribution of power between those two entities will play out, and whether accountability and transparency can be guaranteed.

8 | Monetary and fiscal stability

Mozambique's tight monetary policy has produced price stability and allowed the central bank to build its international reserves. As a result, the inflation rate fell from 10.3% in 2022 to 5.3% in 2023. The stability of the national currency, the metical, also helped keep inflation down. Over the past two decades, the metical's real effective exchange rate (REER) has remained relatively stable near its historical average. Major episodes of depreciation took place in 2009/10 following the global financial crisis, as well as after the 2016 "hidden debt" scandal. In 2021, the central bank fined Standard Bank for exchange-rate fraud and issued a two-year suspension from exchange-rate-related activities. It also reiterated its Notice (Aviso) 6/GBM/2020, which requires at least 30% of export proceeds to be converted into local currency.

In Mozambique, the concentration of market power among a handful of exporters and banks increases both the scope for and the impact of the abuse of insider information, such as timing the supply of foreign currency from export proceeds. To address potential abuse of insider information, the foreign exchange law was revised (Law No. 28/2022). Among other amendments, the law prohibits foreign currency transactions between resident entities; prohibits offsets in receipts from abroad and in the repatriation of revenues; penalizes the conduct of foreign exchange trading or partial foreign exchange trading; and increases fines for contraventions of the law's provisions.

Shortly after the disclosure of exchange-rate manipulation by Standard Bank managers, the metical began to stabilize again against the U.S. dollar. Since then, the exchange rate has remained stable despite the central bank starting an easing cycle in January 2024.

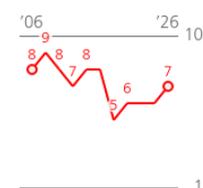
However, the revenue-expenditure effects of megaprojects have recently led to an appreciation of the metical against the South African rand and the euro, harming Mozambique's reputation as an affordable vacation destination in the region.

Overall, fiscal transparency has improved in the wake of the "hidden debts" scandal that became public in 2016, and the current IMF program aims to reform the government's management of public finances. The debt stocks of state-owned enterprises (SOEs) remain unsustainable and a liability for the government. However, a lack of disclosure of SOEs' revenues and debts impedes a thorough audit and risk assessment.

Sovereign risk is expected to remain severe because of the pressure of domestic and external debt service, increased expenses associated with the 2024 electoral process, and revenue reductions linked to implementing the Economic Acceleration Package (PAE). The PAE aims to provide fiscal and economic stimulus through 20 reform

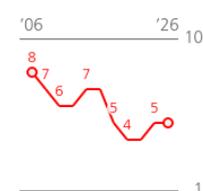
Monetary stability

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Fiscal stability

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measures. For example, the value-added tax (VAT) rate has been reduced from 17% to 16%, and all imports of agricultural inputs have been granted a VAT exemption. The corporate income tax rate for the agriculture, aquaculture and urban transport sectors has been reduced from 32% to 10%. However, mobilizing revenue and rationalizing the state's wage-bill expenditures are essential to creating fiscal space for much-needed social and development spending by the Mozambican government.

The risk of debt distress remains high, although robust nominal GDP growth during the review period helped reduce the total debt-to-GDP ratio. Figures provided by the government of Mozambique deviate substantially from those of the IMF. According to the IMF, public sector debt amounted to 93.9% of GDP in 2023. According to the Mozambican Ministry for Economy and Finance, public sector debt in 2023 amounted to only 73.8% of GDP, with debt-servicing costs totaling 3.8% of GDP.

Amid increased spending related to the electoral process and subsequent revenue losses due to post-election demonstrations, domestic debt rose by 8% (mainly in the form of short-term treasury bills) and external debt rose by 3.4% in the fourth quarter of 2024. The incoming finance minister, Carla Alexandra Loveira, acknowledged in her first days that there was a dire need to restructure the country's public debt. The IMF forecast that total public debt would reach 97.5% of GDP in 2024 (of which 65.9% would be external debt).

Mozambique lacks market access, and external commercial borrowing is precluded under the IMF-supported program.

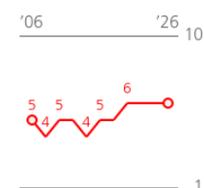
Gross international reserves recovered to 4.4 months of prospective non-megaproject imports by the end of 2023. Fiscal consolidation and an expected increase in liquefied natural gas (LNG) revenue should also reduce pressure on reserves over the medium term.

9 | Private Property

Land remains owned by the Mozambican government, although so-called Direitos de Uso e Aproveitamento de Terra (DUATs) are issued. These land-use concessions allow the use of land for up to 50 years but are not accepted by banks as collateral. In urban areas, they are transferred upon the sale of buildings established on the land in question. In rural areas, additional government authorization is needed to transfer the DUAT, making this model a potential barrier to investment or to enlarged commercial forms of agriculture. To improve the investment climate, the government has been working since 2023 on a new land law. The first draft was presented in May 2023 and subjected to a consultation process, which has faced severe criticism for not being inclusive enough. At the time of writing, this process still seemed to be pending.

Property rights

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In September 2023, Mozambique's parliament passed a copyright and related rights law. The law provides security and legal protection for industrial property rights, copyrights and other rights. Mozambique has also signed on to all relevant treaties and protocols related to intellectual property rights (for example, the Banjul Protocol on trademarks and the Harare Protocol on patents and industrial designs). Despite also being a member of the World Intellectual Property Organization (WIPO) and the African Regional Intellectual Property Organization (ARIPO), it remains difficult to protect intellectual property rights because law enforcement is sporadic and inconsistent.

The private sector has been placed at the heart of the national economic transformation strategy, Pacote de Medidas de Aceleração Económica (PAE), which has been in place since August 2022.

In September 2022, the new Commercial Code (Law No. 1/2022, May 25), which is oriented to international best practices, came into effect to improve business facilitation and private sector competitiveness.

In addition, the parliament of Mozambique passed a new Private Investment Law in May 2023. The law incorporates a number of measures aimed at encouraging investment, such as tax benefits, accessible land, simplified license and permit procedures, and protection against expropriation.

There have been no significant cases of expropriation or nationalization since the adoption of the 1990 constitution. Mozambican law holds that “when deemed necessary for weighty reasons of national interest or public health and order, the nationalization or expropriation of goods and rights shall result in the owner being entitled to just and equitable compensation.”

The PAE, the new Investment Law and several fiscal reforms aim to improve and facilitate business in Mozambique. These include expediting the issuance of business licenses, improving access to and the costs of financing, and measures promoting small and medium-sized enterprises (SMEs).

10 | Welfare Regime

Mozambique's social protection systems encompass two distinct contributory mechanisms: one for public servants and the military and another for private sector employees. In 2022, a total of 994,422 workers nationwide were actively contributing to social insurance programs, and were therefore covered in the event of a social risk. This corresponded to 7.3% of the labor force.

In addition, there is a non-contributory social protection system guided by the National Basic Social Security Strategy. Non-contributory social protection includes cash benefits for older persons and for persons with disabilities and chronic illnesses; support for vulnerable groups, such as malnourished and orphaned children and people with HIV; a public works program; and social services.

Private enterprise

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Social safety nets

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Approximately 550,000 beneficiaries received support in 2022. This was a significant decrease from 2021, when 1,746,079 beneficiaries benefited from a temporary program activated as part of the response to the COVID-19 pandemic. Consequently, the government again increased its budget allocation for the non-contributory pillar in 2023. Coverage was intended to reach 1 million beneficiaries, raising the share of households that was living under the poverty line and benefiting from cash transfer programs from 22% in 2022 to 33% in 2023.

Most beneficiaries of the country's largest social subsidy program (PSSB) are older persons (91.5%), followed by persons with disabilities (5.9%). A total of 64.7% of social assistance program beneficiaries in 2022 were women.

Within the contributory social protection system, the government in December 2023 adopted the Strategic Plan of the National Social Security Institute (PEINSS 2023 – 2027), which includes, inter alia, provisions to expand coverage for own-account workers in the informal economy under the country's contributory system. The strategy also seeks to enhance employer compliance in channeling workers' contributions. The government aims to increase the number of registered salaried workers from 2,574,882 in 2023 to 2,967,686 in 2027 and own-account workers from 46,668 in 2023 to 120,069 in 2027.

Mozambique's constitution, in Article 66, prohibits discrimination based on sex, race, ethnic origin, place of birth, religion, educational level, social position, or parents' legal status or profession. Article 57 addresses gender equality between men and women.

Although Mozambique has strong laws on child marriage, land rights, labor law and marriage equality, significant gender inequalities remain in essential areas such as economic opportunities, health and education. The country has one of the highest rates of child marriage and adolescent pregnancy in the world; more than half of girls in Mozambique marry before age 18, and almost half of girls ages 15 to 19 become pregnant.

The provision of free and mandatory basic education through grade 9 has reduced gender gaps in primary education. Net enrollment was 98.7% in 2022. However, according to the World Bank and UNESCO statistics, the primary school completion rate in 2022 was 59.2% for boys and 55.9% for girls. The lower secondary completion rate was 43.7% for boys and 40.8% for girls in 2022. The gross enrollment rate at the tertiary level was 8% for men in 2018, compared with 7% for women.

In 2023, the illiteracy rate was 49.4% for women and 27.2% for men, and the overall illiteracy rate in the country was 39%.

Many women in Mozambique suffer the consequences of low levels of completed education and training, high fertility rates, heavy domestic burdens, and labor market segregation. These factors give them fewer economic opportunities than men have.

Equal opportunity

4

'06 '26 10



1

Although the ILO reports that 78.4% of women participate in the labor force (compared with 79.7% of men), the issue is also the quality of work and related income generation. Most women work in agriculture, but they have less access to land, credit and essential resources such as climate-smart technologies. If the percentage of bank account holders is an indicator of women's economic empowerment, the situation is dire in Mozambique: Only 38.7% of women have a bank account, compared with 61% of men.

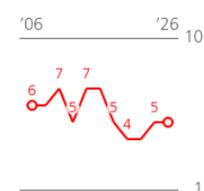
11 | Economic Performance

Mozambique's economic recovery since the "hidden debt" scandal and the COVID-19 pandemic has been remarkable and remains on a solid trajectory. In 2022, the economy grew a substantial 4.4% (up from 2.4% in 2021), followed by 5% in 2023, and is expected by some observers to have reached a rate of 5.5% in 2024. However, the government forecast a reduction to 4.7% in 2025, due to declining commodity prices for aluminum and LNG, as well as production capacity limits reached in the extractive industries and the agricultural sector. The latter has been affected most heavily by natural disasters due to climate change. While the overall inflation rate has been reduced significantly, food inflation has increased to a rate of 9.3%, further reducing consumers' purchasing power at a point at which the poverty rate remains very high.

The current account deficit is projected to increase to 38.1% of GDP in 2024 and 43.0% in 2025 as imports rise. The large deficit is mainly linked to LNG investments financed largely by FDI inflows. In 2024, 83.9% of FDI was directed to the extractive sector. Although expectations remain high that extractive megaprojects will eventually have positive effects on traditional sectors of the economy such as agriculture and manufacturing, this has not yet been the case. Nonetheless, there is an exception in the capital, Maputo, where the banking, transport, logistics and housing sectors have all benefited from the boom. Because local content policy is insufficient, the megaprojects are not generating the expected job growth. However, the limited scope of spillover effects from megaprojects is also related to the prevailing structure of the Mozambican economy and a lack of policy aimed at transformation. The economy remains largely informal, with limited manufacturing activity and a shortage of skilled human capital beyond the main urban centers. To achieve this transformation, targeted FDI will be needed to develop the private sector beyond but related to the megaprojects, and a business climate that attracts local investors beyond the ruling party elite must be established.

Output strength

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12 | Sustainability

Given its low levels of industrialization and development and minimal greenhouse gas emissions (estimated at 0.21% by the World Bank), Mozambique prioritizes adaptation over mitigation. Mozambique is among the 10 countries deemed to be most affected by climate change. Cyclones, floods and droughts recur almost every year.

According to the World Bank's Country Climate and Development Report, climate change is having a significant impact on labor productivity and growth in Mozambique, and poverty rates could further increase by 5%. School and health infrastructure are among the areas most affected by natural disasters.

Water scarcity is expected to worsen because of climate change, while water demand is already rising because of population growth and agricultural and industrial demand. Insufficient storage and drainage infrastructure is further exacerbated by cyclones, floods and droughts.

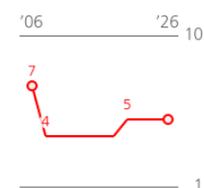
So far, Mozambique's government has been unable to manage the paradox of a) being a country highly affected by climate change, b) being a country committed – at least rhetorically – to taking environmental concerns into account in policymaking, and c) building its economy and development model on gas extraction and coal mining. With growth heavily dependent on aluminum, LNG and coal, Mozambique is highly affected by the European Union's Carbon Border Adjustment Mechanism (CBAM) and similar measures by other countries pursuing a low-carbon future.

Given these dependencies in Mozambique's development, the government must give greater consideration to climate change vulnerabilities not only for national disaster management and mitigation, but also for its poverty alleviation strategies, employment creation and economic transformation. Mozambique's government must find a climate-resilient development model.

Natural disaster management is a government priority, and the ambitious goal of meeting 62% of Mozambique's energy needs through renewable resources, as well as the dedication to implementing its National Determined Contribution (NDC) Partnership Plan, shows the government's commitment. However, the alignment between national development plans, sectoral strategies and the NDC is still weak and could be further improved. A mismatch remains between created expectations and commitment and actual capabilities.

Environmental
policy

5



In 2024, the government dedicated 12.1% of its state budget to the education sector, 1.3% less than in 2023. In addition to the 5,000 new teachers hired in 2023, a further 2,100 were contracted in 2024. However, a mere increase in funding, enrollment and the number of teachers does not seem to be producing the desired results.

According to the 2022 annual school census, the net enrollment rate for grade 1 was 98.7%, but less than 60% of children completed primary education in 2022. While the southern provinces have at least a 75% completion rate, none of the northern provinces exceeds a rate of 45%. Less than 4% of children are enrolled in preschool, and the gross enrollment ratios at the lower secondary and upper secondary levels are only 50% and 29%, respectively.

In tertiary education, the situation is even more somber. Only 8.19% of Mozambicans attend university. In 2007, the Mozambican government launched a public policy titled “Programa de Bolsas de Estudos” intended to minimize economic barriers that restrict access for underprivileged classes to higher education. However, recent research has shown that the program neither benefits the targeted social strata nor addresses gender asymmetries or the regional dominance of students from the capital or southern provinces in the allocation of scholarships.

On the World Intellectual Property Organization’s Global Innovation Index, Mozambique not only ranks near the bottom, but has also dropped further to 128th place in 2024 (out of 133, from 122nd place in 2021).

The government does not invest in research, and it does not actively value those who use their resources to publish articles. For example, public and private universities do not compensate researchers for scientific publications. Most scientific publications come from doctoral students who are required to publish to earn their degrees. After earning the degree, most leave research and publishing. Instead, they prefer to be involved in business or other activities to earn income. The 8.9% decline in scientific publications during 2022/23 is striking.

Education policy /
R&D

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Governance

I. Level of Difficulty

Structural difficulties such as extreme poverty, low average levels of education and the lack of an adequately trained labor force, as well as the lack of the infrastructure needed to attract FDI to diversify the economy, have impeded Mozambique's development since the end of the civil war in 1992. The government of Mozambique, which has been controlled by the same ruling party since independence, has had many opportunities over decades of impressive economic growth and almost unconditional donor trust and support to address these challenges efficiently and in a coordinated manner.

Mozambique is the African country deemed most vulnerable to climate change, and is prone to natural disasters and humanitarian risks. It ranks ninth out of 191 countries on the INFORM Risk Index by the International Federation of Red Cross and Red Crescent Societies (IFRC). Climate change affects its economy, threatens its food security, and strains its social protection systems and social cohesion because of widespread internal migration.

Mozambique has some of the world's largest natural gas reserves as well as critical mineral reserves essential for technology development. However, both can be more of a curse than a blessing. Despite its commitment to a clean energy transition, the government continues to extract and export coal and has built its economic development around LNG exploration. As a result, the economy lacks diversification.

The Islamist insurgency that has affected communities in the three northern provinces over the last 10 years and has come close to jeopardizing FDI-heavy LNG projects compels the government to invest in its military's equipment and training instead of spending to improve basic social services.

A vibrant, largely independent civil society has emerged in Mozambique over the years. It is outspoken and does not shy away from confronting the government. There are three broad categories. The largest group consists of community-based organizations, which, in general, have weak organizational capacity and are subject to a constant lack of funding. They often provide essential services in places where state structures remain absent or lack capacity. They are also the most vulnerable when they clash with the interests of political actors.

A second group can be characterized as issue-based (for example, focusing on health, climate change or poverty reduction), and also as mainly service oriented.

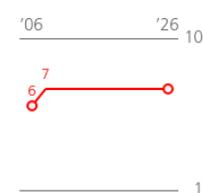
Structural constraints

8



Civil society traditions

7



In the urban sphere, primarily in Maputo, a third group comprises elite-based, academically oriented organizations. They serve as interlocutors for many donors and enjoy international support.

Many organizations coalesce around platforms that aim to hold the government accountable, participate in official dialogues and uphold citizens' rights. In particular, this segment of civil society seems to have become more vocal and outspoken during President Nyusi's term. Often, these platforms develop dynamics of their own and risk competing with their members for funds and influence.

Unrest increased precipitously in 2024, with almost 400 demonstrations recorded compared to only 89 in the previous year. Since the municipal elections in October 2023, political conflict has intensified. When Venâncio Mondlane ran for mayor of Maputo on a RENAMO ticket and lost to the FRELIMO candidate, he mobilized supporters to contest the results. He did the same in 2024. More than 80% of the year's demonstrations took place in the final quarter, and about 75% of those involved PODEMOS supporters, often in response to calls by Mondlane, from exile, to protest via his regular Facebook livestreams.

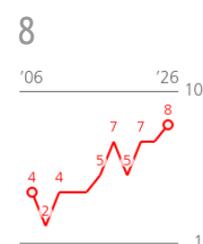
The unprecedented level of demonstrations in Mozambique in the final quarter of 2024 was again driven by Mondlane, who contested the presidency with the backing of the small PODEMOS party. Protesters targeted FRELIMO and government institutions. The intensity of actions by supporters of PODEMOS and Mondlane, particularly in previous RENAMO strongholds, may be an expression of RENAMO's decline as well as dissatisfaction with FRELIMO. For example, in Zambezia, a RENAMO stronghold, 50% of protests were violent.

In Nampula and Zambezia, groups of youth who embrace the Naparama identity have clashed with state forces. Operating without central leadership, Naparamas are locally organized groups of youth who have appropriated the name and behavior of the Naparama militia. This highlights the fact that Mondlane does not direct or control all of the unrest, but has served as the igniting spark and a figure of political projection.

RENAMO has been displaced by PODEMOS as the main opposition party, but Mondlane has left PODEMOS. PODEMOS would not have been in parliament if not for Mondlane. PODEMOS' role in today's political landscape is thus unclear. However, it is certain that any elite settlement of the conflict at the national level that left out Mondlane would risk provoking continued disorder.

It should be clear to President Chapo that the level of popular discontent seen during the review period will have consequences for FRELIMO. Policy concessions vis-a-vis Mondlane's key demands, such as on the issues of housing and employment, might appease the opposition figure. But to regain the trust of its people, the Mozambican government has to start delivering.

Conflict intensity



II. Governance Performance

14 | Steering Capability

Combating terrorism has been considered a priority. Defense expenses to combat terrorism in the country's north and elevated debt-servicing demands are government priorities that have had to be traded off against scaled-up social responsibilities. This has left the government with little fiscal space for additional interventions.

In addition, the country's vulnerability to natural disasters and the ad hoc financing needs that arise in this context may challenge priorities. With an economy built on natural resource extraction, Mozambique is exposed to external economic shocks.

Currently, the government is betting on extractive-industry megaprojects for economic growth, although it is aware that its economy needs structural transformation, and that it must pay more attention to the service sector. It seems the government is hoping for the miracle of job creation through investments in these two areas. However, it has ignored the need to address the economy's informality, and to provide the skills and education needed to allow the labor force to integrate into a rapidly changing formal labor market.

The Mozambican government has followed through on priorities outlined in the National Development Strategy (2015 – 2035), even though its early years were burdened by the “hidden debt” scandal, which led to a precarious fiscal situation, and despite the impacts of a changing geopolitical climate, annual natural disasters, increased corruption and organized crime, and a deteriorating security situation in the north. Economic growth remained stable and investments in natural resource projects continued. Investment and business requirements were eased, and selected social indicators also improved (e.g., 70% of people with HIV/AIDS were able to receive treatment). However, the high level of unemployment did not decline in substantive terms, although government figures try to project this. Similarly, the National Industrialization Program (PRONAI) did not produce the expected results. The various agriculture-related programs (PROSUL, SUSTENTA, PNAI) have produced mixed results. Improvements in health infrastructure had positive effects, and life expectancy has been on the rise again (reaching 56.1 years in 2023). Often, well-designed policies either lack proper funding for efficient implementation, or the administration lacks sufficient implementation capacities and follow-up mechanisms.

Question
Score

Prioritization

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Implementation

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The World Bank and IMF multilateral financing institutions in particular have provided initiatives, financing and guidance for the structural transformation of Mozambique's economy. This includes the economy's digitalization. At the end of last year, the Mozambican government launched an initiative to connect every Mozambican to the internet and thus enable access to the digital economy. The government often implements external recommendations without adapting or evaluating them within the Mozambican context.

The government of Mozambique has realized that sustainable development must go beyond megaprojects, but still struggles to formulate and implement policies that could provide the right framework and incentive.

The government engages in multilateral assessments such as the Voluntary National Review to achieve the Sustainable Development Goals (first-time participation in 2020) and the Universal Periodic Review at the Human Rights Council (third cycle 2021), in which it highlights the follow-up on recommendations by peers.

15 | Resource Efficiency

Mozambique is notable for its high levels of public spending and relatively low level of development.

Despite recent fiscal consolidation efforts, fiscal pressures remain elevated. Public sector wage expenditure is a heavy burden on public finances, amounting to 72% of tax revenue in 2023. Amid pressure to increase health-sector subsidies, the 2023 target of a reduction in the wage bill of 3% of GDP could not be met. The public sector wage bill currently absorbs 15.1% of GDP, preventing the allocation of resources to basic services.

Despite progress, a number of public financial management processes and practices need strengthening. Budget priorities and allocations need to be better aligned. There are weaknesses in treasury operations and cash management processes. Authorities often accumulate payment arrears because of a lack of budget credibility. Enforcing controls during budget execution and improving cash management are essential for the efficient use of assets.

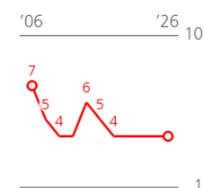
The Mozambican government faces several dilemmas regarding policy coherence.

On the one hand, it bases its development strategy on extractive industries that are either energy intensive (aluminum smelting) or fossil-fuel-based (coal mining, LNG extraction). On the other hand, it is pursuing climate policy objectives in line with the Paris Agreement.

In addition, the commitment to debt service and the increased investment needed in the security sector compete with the key policy goals of eradicating poverty and improving access to basic services.

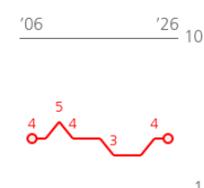
Policy learning

4



Efficient use of assets

4



Policy coordination

4



To address aspects of this dilemma in the development and transformation of the economy, the Cabinet for the Coordination of Economic Reforms (GCRE) was established within the Ministry of Economy and Finance. This body coordinates various initiatives launched with the aim of stimulating the economy through fiscal policies, an improved business environment and infrastructure projects.

Corruption remains a major problem in both the public and private sectors. While Mozambique has begun implementing a strategy to combat organized crime and has already held public consultations on a draft in February 2024, the Anti-Corruption Strategy (2006 – 2010) still awaits an update. Unfortunately, the government seems to be focusing mainly on corruption in the public administration despite the growing extractive industry and private sector, which seem to have been left behind. The Strategy for the Prevention and Fight against Corruption in Public Administration (2023 – 2033, EPCCAP) fails to address corruption in the private sector, in the political sphere or among officeholders.

The new National Development Strategy lists the fight against corruption as essential, because corruption undermines investor confidence and citizens' trust. In his inauguration speech, President Chapo highlighted the fight against corruption as a priority; hopefully this will lead to the development and implementation of a dedicated anti-corruption strategy.

16 | Consensus-Building

Within the ruling party, the notion still seems to prevail that the facade of an electoral democracy needs to be maintained. Thus, FRELIMO identified a presidential candidate in a last-minute action, only five months before the elections. Rigged elections at all levels, impunity for politically motivated assassinations and violent attacks, and the silencing of critical journalists and independent media outlets reveal the government's lack of commitment to democratic principles. Corruption is prosecuted when it serves political interests, and national security interests are used as an excuse for infringements on human rights and civil liberties.

All political actors, including the opposition, endorse market-economy principles but use them to their advantage. Instead of focusing on SME development and job creation by establishing in-country value chains and sound local content policies, the government continues to pursue an extractive-industry and natural-resource-based economic policy. The megaprojects not only provide limited benefits to communities but also further disconnect the ruling elite from the population. Many private sector initiatives are controlled by or involve the participation of family members of officeholders.

Anti-corruption policy

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Consensus on goals

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The ruling FRELIMO party is undergoing a generational change in its leadership. The length of the process and the Central Committee's request for a wider selection of presidential candidates than the three proposed by the Political Committee show a will to begin a new phase with a candidate who can relate to the demographic majority of young Mozambicans and is untainted by past party and government scandals.

Under Filipe Nyusi, FRELIMO has become more factionalized than before, and Daniel Chapo, the new party leader elected on February 14, 2025, who is also president of Mozambique, will have to balance all interests and weave them into his politics. This can be seen as positive, as it diminishes the influence of powerful groups that might otherwise stall a reform process.

It remains to be seen whether President Chapo, born after independence and without a solid FRELIMO support base, can achieve his objectives as framed in his inauguration speech.

Cleavages in Mozambique are mainly regional – north vs. south; mineral- and natural resource-rich vs. agriculture-dependent provinces; and urban vs. rural areas. To date, the ruling party, which has dominated the party system since independence and faces a weak, fragmented opposition, has not substantially addressed these social divides, which continue to nurture frustration and provide fertile ground for conflict. An additional cleavage, from which independent opposition candidate Venâncio Mondlane seems to draw his political capital, is the divide among educated, unemployed, frustrated youth; a disenfranchised urban middle class; and a FRELIMO party elite that has become delinked from society.

As early as 2019, electoral fraud was rampant, and citizens felt disenfranchised. However, the ruling elite has shown no political will to dispel the impression that elections are merely an instrument for staying in power by any means available. Neither Nyusi nor Chapo has taken any conciliatory measures. Instead, the vote of ordinary Mozambicans has once again become a bargaining chip among members of the Constitutional Council.

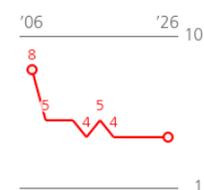
In general, the political leadership has proved unable to depolarize the existing cleavages within the FRELIMO party and in society more broadly.

With the 2018 revision of the constitution, the space for civil society participation began to open.

Law 8/2003 and Decree 11/2005 contain mechanisms for the participation of civil society organizations in government processes. For legislative packages that address the country's development challenges and require overall donor support for implementation (e.g., National Development Strategy, Reform of Land Law), nationwide levels of civil society participation and consultation are established.

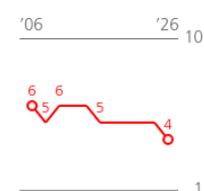
Anti-democratic actors

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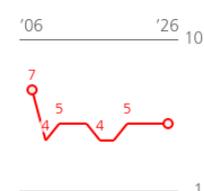
Cleavage / conflict management

4



Public consultation

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However, obstacles remain that may be related to the government's mistrust of civil society, and which can result in the late or insufficient provision of information and limited consideration of input provided. Quite often, in a check-the-box exercise, civil society is consulted early in the process but is not kept informed during subsequent phases. Thus, NGOs and think tanks independently monitor policy implementation when external funding is available. This highlights another hurdle to meaningful civil society engagement: a lack of funding and of human resources with the required expertise.

For President Chapo's government, reconciliation and reestablishing trust in the political process and, above all, the electoral process will be crucial to restoring social peace. Opposition candidate Venâncio Mondlane claims that the fight is far from over, and that the 2024 election victory was stolen from him. He still enjoys widespread support, and at least by the close of the review period, had declared that he would not be co-opted into any power-sharing agreement. As of the time of writing, direct talks between Mondlane and the president had not yet taken place, and the risk remains of continued violent bursts of protest disrupting citizens' daily lives and severely damaging the economy.

Although the peace process with RENAMO concluded with the signing of the Maputo Accord for Peace and National Reconciliation in August 2019, the two main pillars remain insufficiently implemented: disarmament, demobilization and reintegration (DDR) of fighters and enhanced decentralization. Although 5,221 RENAMO ex-combatants were demobilized by the end of 2020, RENAMO claims that most of the funds intended for projects financed by the Fund for Peace and National Reconciliation to ease reintegration never reached their beneficiaries. The new layer of decentralized governance structures (part of the negotiated peace deal package) also left RENAMO with a bad deal, in practice reinforcing centralization.

Reconciliation has become tied to the quality of Mozambique's democracy, its level of participation and the inclusion of oppositional political voices.

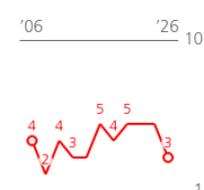
17 | International Cooperation

In its National Development Strategy (ENDE, 2025 – 2044), the government presents a detailed document that can serve as overall guidance for the development of sector-specific road maps. It sets out a vision of Mozambique as a middle-income country, reiterating the government's strong focus to date on macroeconomic growth rates based on natural resource extraction.

The financing approach for ENDE is comprehensive, including taxes and fiscal revenues; funds from international financial institutions and multilateral organizations; funds from development banks and cooperation funds; public-private partnerships; and FDI. It also emphasizes expense management as a source of funding.

Reconciliation

3



Effective use of support

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The government acknowledges the lack of progress to date and continues to see the reduction of inequality and the expansion of access to basic services as priorities. It emphasizes the need to intensify infrastructure investment not only for the purposes of regional development but also for territorial cohesion.

Institutional integrity and the fight against corruption, citizen participation, and the pursuit of security and stability are newly highlighted.

An analysis of the results of the previous National Development Strategy makes clear that Mozambique does not lack sound initiatives or programs, but rather falls short in implementing them.

It has been interesting to observe how quickly the Mozambican government managed to shake off the “hidden debt” scandal. Relations with multilateral organizations and bilateral donors normalized quickly. Irrespective of the highly critical EU Election Observation Report, the newly elected president quickly engaged with the president of the EU Council, Antonio Costa, who only reiterated the need for political dialogue.

During its tenure on the U.N. Security Council, Mozambique engaged constructively with the other African members (A3) and called on the Security Council’s five permanent members to refrain from using their veto in cases of atrocities and human rights violations. Mozambique engages with most multilateral institutions in line with its capacities. Implementation of international agreements continues to depend largely on the country’s financial means, political will and capacity within state institutions.

Relations with Mozambique’s most important neighbor, South Africa, were strained as the period closed.

South Africa did not respond to Mozambique’s request for the extradition of former Finance Minister Manuel Chang, a key figure in the “hidden debt” scandal, but instead acceded to U.S. demands to bring Chang to trial in a Brooklyn court.

The closure of the Lebombo/Ressano Garcia border post due to the violent post-election riots in Mozambique disrupted trade between the two countries. According to the South African Road Transport Association, South African transport companies lost €266.2 million in November 2024 alone due to disruptions that included the port of Maputo. The South African government encouraged its Mozambican counterparts to seek dialogue with opposition candidate Mondlane.

The outgoing government of President Nyusi sought to intensify trade relations with Zimbabwe and Tanzania. Only 3% of Mozambican external trade is with Zimbabwe, and commercial activities with Tanzania in the areas of agriculture, health and energy offer considerable potential.

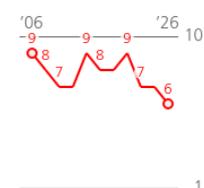
Credibility

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Regional cooperation

6



In relations with Tanzania, border security and stability in the northern provinces remain joint concerns. Tanzania had been participating in the Southern African Development Community (SADC) anti-terrorism mission, the SADC Mission in Mozambique (SAMIM). As SAMIM was winding down in July 2024, Tanzania continued with a separate deployment of 300 soldiers. SAMIM ended mainly because of funding constraints.

However, Rwanda has been able to reinforce its deployment. At Mozambique's request, the European Peace Facility released €20 million in November 2024 to support Rwandan troops in their fight against the Islamist insurgency.

Strategic Outlook

Politically, Mozambique's democracy has reached its lowest point since the end of the civil war and the first multiparty elections. The country has emerged bruised from a cycle of rigged elections, with sociopolitical riots in the streets and violent, deadly clashes between Mozambican citizens and the police for weeks. Although the FRELIMO party presented a new candidate for the presidential elections and incumbent Filipe Nyusi ultimately gave up ambitions for a third term, the fact that the same party has ruled since independence and continues to use all means available to cling to power taints the country's reputation.

This might have more impact on donor engagement than on private foreign investment. At a time when aid budgets are being trimmed to the extreme, a country such as Mozambique, in which donor funding still amounts to 13.6% of GDP (2022), will feel the effects of the ongoing reprioritization and evaluation of present and past cooperation. Political instability due to disregard for democratic principles might lead to consequential steps in development cooperation. Thus, FRELIMO needs first and foremost to address the grievances of the country's young and unemployed population, and should seek dialogue with political forces that can mobilize frustrated youth and the middle class against the government. All eyes are now on new President Daniel Chapo, who needs to show the political will for reforms that can restore election integrity and should engage in constructive dialogue with opposition parties. Moreover, if President Chapo wants to turn a page on the past, he should start fighting corruption among his party members and government members.

Addressing the underlying causes of violence in Cabo Delgado requires a comprehensive approach that includes security measures, community dialogue and development initiatives. Although progress has been made in regaining control of occupied territories with assistance from Rwanda and the SADC community, attacks continue and sometimes spill over into neighboring provinces. Clear strategies and capabilities are needed to reestablish state control and ensure the delivery of services. The government cannot simply ask internally displaced persons to return to their destroyed communities to create the appearance of restored peace and security.

Economically, the government must address the issues of structural transformation and diversification of the economy. SMEs in the formal economy need adequate support. Informal segments of the economy need sustainable incentives so that job creation exceeds subsistence levels, broadens the tax and revenue base, and guarantees workers social protection.

Policies promoting the use of local content have to become a strategic priority for megaprojects, not only to harness profits, but also to bring Mozambicans into employment and broaden their skills base.

Unfortunately, climate change is a reality that is striking Mozambique exceptionally hard and often. Mozambique needs more international assistance not only to fund rebuilding and recovery, but also to strengthen community resilience over the long term.

Organized crime and corruption are rampant in the country. To reestablish society's trust, the government and political elite must fight impunity.