



CENTRO DE INTEGRIDADE PÚBLICA

Boa Governação - Transparência - Integridade

GOVERNANCE IN 2026: RISKS TO MONITOR IN DANIEL CHAPO'S SECOND YEAR IN OFFICE



Maputo, March 2026

Editorial Information:

Title: GOVERNANCE IN 2026:
RISKS TO MONITOR IN DANIEL CHAPO'S SECOND YEAR IN OFFICE

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Director: Edson Cortez

Propriety: Centro de Integridade Pública

6^o Edition
Maputo, March 2026



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EXECUTIVE SUMMARY

The first term of Daniel Chapo, FRELIMO's candidate, faces several risks that could compromise the stability and effectiveness of his governance. This report identifies and analyses these risks based on five strategic pillars, aligned with the main thematic lines of intervention of the Center for Public Integrity (CIP) in its strategic plan in implementation since 2024, namely: (i) Transparency and Political Integrity; (ii) Transparency and Integrity in the Public Sector; (iii) Justice and Anti-Corruption; (iv) Transparency and Integrity in the Private Sector; and (v) Transparency and Integrity in Environmental Governance. This approach allows for a structured and integrated analysis of the challenges that may influence institutional performance and democratic consolidation in the country.

For 2026, the **extractive sector** in Mozambique faces fiscal, macroeconomic and governance risks that are no longer prospective and become concrete. The combination of more moderate international prices, increased competition in the global LNG market, foreign exchange shortages, and weaknesses in the traceability of gas revenues increases the pressure on public finances. Risks associated with the management of the Sovereign Fund and delays in recoverable cost audits persist, with a potential permanent impact on the tax base. In the context of conflict in Cabo Delgado and greater investor selectivity, the quality of the sector's governance becomes decisive for macroeconomic sustainability and for the transformation of gas revenues into lasting public benefits.

Public Finances in 2026 will be running in a framework of severe fiscal constraint, marked by adverse climate shocks and tightening external financing. The combination of these factors tends to tighten up financing of the social sectors, intensify the use of domestic debt and increase the risks of debt restructuring, as well as the emptying of the Sovereign Fund. At the same time, the shortage of foreign exchange could worsen these vulnerabilities by curbing economic activity and putting pressure on the exchange rate. It may lead to the need to realign the official rate, via devaluation, towards the levels practiced in the informal market, as a measure to discourage the migration of foreign currency to this circuit and to stimulate its channeling to the formal market. This adjustment, however, carries a material inflationary risk, through the increase in the cost of imports of essential products, such as fuel, medicines, and cereals, with repercussions on the cost structure of the economy. In aggregate terms, the combination of compression of social sector financing, debt restructuring, currency devaluation, and acceleration of the general price level could translate into a deterioration in social welfare, with a marked impact on the most vulnerable households, and with a tendency to deepen inequality and poverty.

Public procurement in Mozambique will be an area of high vulnerability, in a context marked by the reduction of external financing — particularly in the health sector — the effects of extreme weather events and the persistent government debt to suppliers. The implementation of e-Procurement and the possible centralization of procurement may stand for significant increases in efficiency, rationalization, and control, but they also carry the risk of excessive concentration of decision-making power, if they are not complemented by solid mechanisms of transparency, independent auditing, and institutional supervision. This could compromise the efficiency, equity, and integrity of the system, with significant social impacts.

The area of **combating corruption and promoting transparency** has seen some advances in terms of improving the legal and institutional framework and the digitalization of Public Administration. However, poor law enforcement and weakness in the functioning of the institutions created have not contributed to the control of corruption. Although the President of the Republic, Daniel Chapo, placed emphasis in his inauguration speech on the relentless fight against corruption, one year into his administration, the country recorded a significant drop in Transparency International's 2025 Corruption Perceptions Index, published in 2026, dropping four points compared to 2024. Therefore, this means that more than the political discourse of fighting corruption, it is necessary that concrete actions are implemented, which have not been happening.

In 2026, the **private sector** — particularly MPMEs — will face an interconnected set of structural risks with a high probability of materialization and systemic impact: regulatory capture (with emphasis on the centralization of cereal imports in the ICM), high fiscal risk and limited fiscal space, persistent credit constraint, over-reliance on extractive sectors, opacity in PPPs and large projects, and exchange rate pressures associated with relatively fragile international reserves. These factors, reinforced by cross-cutting institutional vulnerabilities, tend to reduce predictability, increase operating costs, limit productive investment, and aggravate inequalities in access to economic opportunities. Without concrete reforms in regulatory governance, contractual transparency, growth-oriented fiscal discipline, and expansion of financing for MPMEs, the growth projected for 2026 risks not translating into inclusive development, perpetuating a business environment marked by uncertainty, concentration of benefits and low structural resilience.

Governance in Mozambique will face an interconnected set of risks affecting **political integrity**, institutional stability, and social cohesion in 2026. The democratic decline, motioned by institutions such as the V-Dem Institute and International IDEA, is combined with the strong concentration of power in the Frelimo Political Commission, whose influence over the Executive

limits governmental autonomy and increases the risk of capture of ongoing structural reforms, including electoral ones. The economic crisis and rising unemployment worsen the annihilation of institutional confidence, increasing the potential for social instability. At the same time, the persistent conflict in Cabo Delgado continues to weaken state authority, causing large-scale displacement, and deepen socio-economic vulnerabilities, further straining government capacity.

In 2026, **decentralized governance** in Mozambique will face structural risks that threaten its effectiveness and credibility, despite the regulatory advances recorded in recent years. The absence of post-CREMOD legal reforms authenticates conflicts of competence at the provincial level and perpetuates the fiscal fragility of the provinces, which are overly dependent on the central level. In municipalities, the risks of corruption in public procurement, especially in emergency contexts in the face of the latest floods and inundations, and delays in fiscal transfers from the central level aggravate inequalities and weaken local autonomy. In addition, there is a risk of political capture of the reforms under discussion within the scope of COTE and of disarticulation with the AR. 2026 is thus a decisive moment to consolidate legal reforms, strengthen transparency and ensure financial sustainability of decentralization.

The main **environmental governance** risks in Mozambique will focus on high climate vulnerability and growing predatory mining, both of which have cross-cutting impacts on health, agriculture, water, infrastructure, and public finances. The intensification of extreme weather events exposes weaknesses in prevention, adaptation, and budget planning, while unregulated mining aggravates environmental degradation, health risks, and social conflicts, in the context of insufficient enforcement. The combination of these factors generates excessive costs for the government, perpetuates cycles of reconstruction without resilience, and deepens inequalities, disproportionately affecting children, women, girls, older people, and people with disabilities, which requires a transformative and inclusive gender approach.

INTRODUCTION

This report aims to monitor the activities of the Government of Mozambique in the year 2026, based on the identification and systematic analysis of the main structural, institutional, and cyclical risks that may influence the performance of the State and the trajectory of the country, in multiple dimensions.

Governance monitoring is particularly relevant in a context characterized by persistent economic vulnerabilities, fiscal constraints, institutional challenges and accumulated social pressures. The country's exposure to external shocks and extreme weather events deserves particular attention. The proposed analysis does not intend to produce normative judgments, but rather to offer a technical framework for risk assessment, anchored in available factual evidence and consistent analytical criteria.

The report is structured into six interdependent thematic areas: Transparency and Integrity in the Public Sector; ii) Transparency and Integrity in the Private Sector; iii) Transparency and Integrity in Policy; iv) Justice and Anti-Corruption; and v) Transparency and Integrity in Environmental Governance. This multidimensional approach recognizes that governance risks are systemic and result from the interaction between economic factors, political dynamics, institutional quality, social structures, and environmental vulnerabilities.

In the economic dimension, risks associated with macroeconomic stability, fiscal sustainability, public indebtedness, dependence on extractive sectors and vulnerability to external shocks will be analyzed. At the political level, attention will focus on the dynamics of political competition, the functioning of representative institutions and the quality of decision-making processes. In the legal-institutional field, factors related to the rule of law, normative predictability, administrative capacity, and public integrity will be considered.

The climate change component will address the risks arising from the country's high exposure to extreme weather events and their socio-economic and fiscal impacts. Regarding the business environment, the analysis will focus on regulatory predictability, legal certainty, context costs, and investor confidence.

The target audience of this document includes policy makers, academics, economists, private sector actors, civil society organizations, international cooperation partners, and all citizens interested in governance-related materials. By providing a structured risk analysis, the report aims to contribute to a better understanding of the factors that condition governance in 2026 and support more informed, transparent decision-making processes oriented towards the institutional and socio-economic sustainability of the country.



CHAPTER I

EXTRACTIVE INDUSTRY



1. RISKS TO MONITOR IN THE EXTRACTIVE INDUSTRY AND NATURAL RESOURCES

By: Rui Mate

1.1 Fiscal, macroeconomic and governance risks in 2026

This section presents CIP's analysis of the priority risks of the extractive sector in 2026, focusing on macroeconomic (balance of payments and foreign exchange), fiscal (revenues and contingent liabilities) and governance (transparency, audits, and accountability) channels. The analysis also includes a reading of social impacts, with a gender-transformative approach and alignment with the *Leave No One Behind* (LNOB) principle. It favors risks with a high probability of materialization in the short and medium term and does not intend to exhaust all the structural challenges of the sector.

1.2 FROM PROSPECTIVE RISK TO MATERIALIZED RISK (2025–2026)

In the Governing Perspectives document for 2025, CIP identified structural risks in the extractive sector, including weaknesses in fiscal transparency, uncertainty about the management of gas revenues, and delays in audit and control mechanisms^[1]. In 2026, part of these risks will no longer be just prospective and will have a measurable expression in public finances and in the institutional debate. The transition from 2025 to 2026 is marked by the transition from a predominantly prospective phase to a phase of partial materialization, in which there are already observable financial flows, institutional decisions to operationalize and explicit macroeconomic pressures. For example, this materialization is already reflected in the finding of the Administrative Court that in its Report and Opinion on the General State Account (RPCGE) for 2024, published in 2025, reports that, after 3 years, the regulator of the sector, in this case the National Petroleum Institute (INP), continues to be ignored by the concessionaires in relation to recoverable cost balances that they consider unrealistic.

The Mozambican Government has already collected revenues associated with the production and export of liquefied natural gas (LNG) from the Coral Sul FLNG project (Area 4). The official website of the Sovereign Fund reports a total of USD 239.1 million in the period from November 2022 to October 2025^[2]. In parallel, formal steps were taken for the operationalization of the Sovereign Fund: *i*) in November 2025, the signing of the Management Agreement between the Ministry of Finance (Global Manager) and the Bank of Mozambique (Operational Manager)^[3]; and *ii*) on December 10, 2025, the Government allocated to the Bank of Mozambique an initial capital of USD 109.97 million^[4].

In a context where foreign exchange shortages have been publicly acknowledged^[5], this set of facts reinforces the need for a more rigorous and integrated analysis of fiscal and macroeconomic risks, specifically with regard to traceability, allocation discipline and safeguards against the discretionary use of revenues.

Despite these formal advances, according to CIP analyses, relevant gas revenues (2022–2025) did not have their destination clearly explained in the budgetary instruments, which weakens traceability and increases the risk of discretionary use in the in the context of cash flow pressure^[6].

1.3 MACROECONOMIC IMPORTANCE OF THE EXTRACTIVE SECTOR

According to the Administrative Court (TA), exports of major extractive products in 2024 totaled around USD 3.5 billion. Oil and gas accounted for approximately 55% of this figure, followed by coal and heavy sands. This structure highlights the high dependence of the Mozambican economy on the extractive sector, making it decisive for the balance of payments, the availability of foreign exchange and the sustainability of public finance^[7].

Thus, governance failures, delays in the materialization of projects, insufficient transparency in revenue management or external shocks affecting this sector produce systemic effects on the national economy, far exceeding the limits of the extractive industry itself. This is precisely to the sector simultaneously conditions: (i) foreign exchange for essential imports, (ii) tax revenues and (iii) investor and donor confidence.

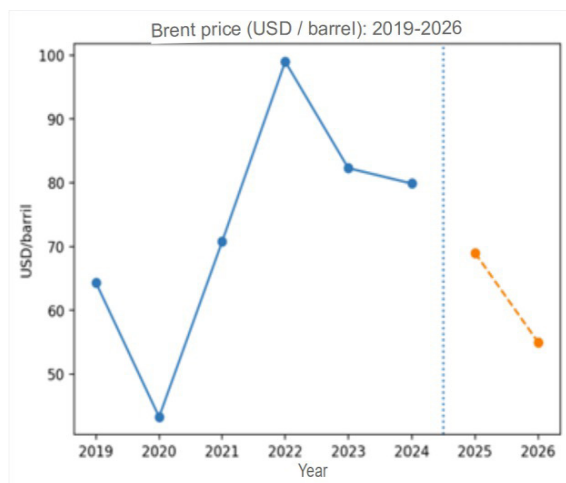
In this context, the evolution of international energy prices forms a central channel for the transmission of external risk to Mozambique.

Although natural gas contracts are not mechanically indexed to the price of *Brent*, it continues to function as a global benchmark for

energy investment decisions, financial markets' risk belief, and the cost of capital associated with large-scale projects such as liquefied natural gas (LNG).

Chart 1 illustrates the historical evolution of the Brent price between 2019 and 2024, as well as the projections for 2025-2026. It shows a phase of high volatility, with a peak in 2022, followed by a moderately downward trajectory in the most recent projections. For Mozambique, this trend suggests an international environment less promising to the accelerated expansion of energy investment, reinforcing the need for prudence in formulating expectations about future gas revenues and its role as a pillar of development financing.

Chart 1: Historical Brent price developments (2019–2024) and projections for 2025–2026



Sources: IMF/FRED; U.S. Energy Information Administration (STEO, December 2025)

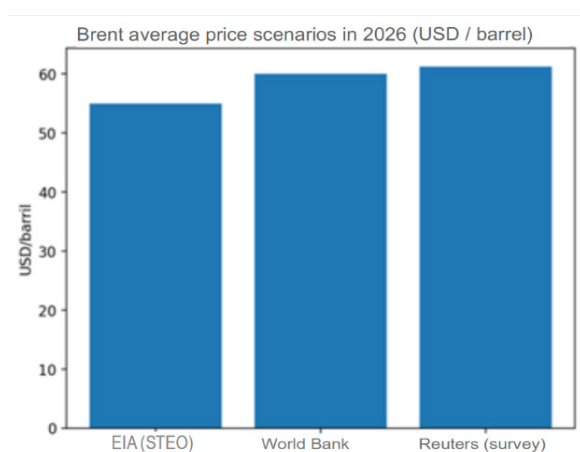
In addition to the price size, it is important to consider the physical volume of production as a determinant of the macroeconomic impact of the sector. The Economic and Social Plan and State Budget (PESOE) for 2026 projects a reduction in total hydrocarbon production compared to 2025, mainly associated with scheduled maintenance shutdowns on the Coral Sul FLNG platform, currently the only offshore LNG project in production, as well as the natural decline in production in the *Pande and Temane* onshore fields.

This combination implies that, in 2026, even in a scenario of relatively stable prices, the sector's effective revenues may grow less than expected, reinforcing risks of deviation from budgetary projections and highlighting the need for caution in fiscal projections and in the management of expectations associated with the contribution of gas to the economy.

The analysis of the historical trajectory is also relevant to examine how different international institutions project the average price of oil for 2026. The convergence or divergence of these projections provides important indications about the degree of uncertainty in the external context and about the risks of basing public policies on excessively optimistic scenarios.

Chart 2 presents the scenarios for the average price of Brent in 2026, according to the EIA, the World Bank and Reuters. Despite the methodological differences, the projections converge on a relatively narrow range, situated at levels lower than those observed in recent years. This convergence reinforces the view that the central risk for Mozambique does not lie in extreme price shocks, but in a prolonged scenario of moderate prices, which limits the potential fiscal space of the extractive sector and requires greater rigor in the management of public finances.

Chart 2: Average Brent price scenarios in 2026 according to different international sources.

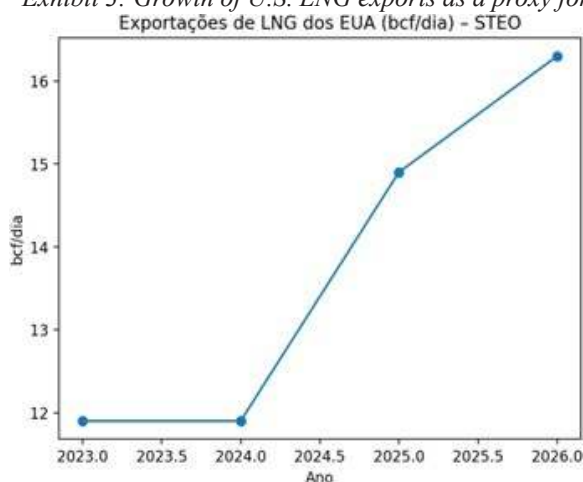


Sources: EIA; World Bank; Reuters.

In addition, the dynamics of the global supply of liquefied natural gas (LNG) decisively influences the competitive environment in which Mozambican projects operate. The expansion of the export capacity of large producers alters the market balance, strengthens the bargaining power of buyers, and increases the selectivity of investors.

Chart 3 shows the growth of LNG exports from the United States between 2023 and 2026, serving as a proxy for the increase in global supply. This growth intensifies competition in the international LNG market and makes non-price factors such as institutional stability, regulatory predictability, social risk management, and fiscal credibility increasingly decisive for the viability of new investments. For Mozambique, this means that weaknesses in internal governance can translate directly into delays, less favorable financing conditions or loss of relative competitiveness compared to other competing projects.

Exhibit 3: Growth of U.S. LNG exports as a proxy for increasing global supply.



Source: U.S. Energy Information Administration (STEO).

In summary, the sustained increase in global LNG supply, illustrated by the growth of exports from the United States, reduces the room for maneuverer of producing countries and reinforces the discipline imposed by international markets. In the context of increased competition, countries with institutional weaknesses, security risks or regulatory uncertainty become relatively less attractive, regardless of the size of their reserves.

For Mozambique, this means that the quality of extractive sector governance, including transparency in revenue management, fiscal predictability, and the credibility of institutional mechanisms, such as the Sovereign Fund, becomes a central determinant of the economic viability of gas projects and their ability to contribute sustainably to national development.

1.4 KEY FISCAL AND MACROECONOMIC RISKS IN 2026

1.4.1 Foreign currency shortages and exchange rate volatility

The shortage of foreign exchange is a cross-cutting risk for the Mozambican economy in 2026, with a direct impact on the extractive sector. The heavy dependence on exports of natural resources exposes the country to fluctuations in international prices and external shocks. The Fiscal Risk Report 2026, from the Ministry of Economy and Finance, explicitly recognizes the vulnerability of the economy to exchange rate fluctuations and the volatility of international markets.

1.4.2 Governance of gas revenues and the Sovereign Fund

The governance of natural gas revenues is one of the main fiscal and institutional risks for 2026. The 2024 Report and Opinion on the General State Account (RPCGE), prepared by the Administrative Court (TA), highlights relevant weaknesses in the way revenues from natural gas have been recorded, distributed, and explained in budget management instruments. In particular, the TA points out limitations in the clarity and consistency of the information on the actual destination of these revenues, making it difficult to verify their compliance with the principles of transparency, traceability, and fiscal discipline.

CIP's analyses deepen this finding by demonstrating that significant gas revenues collected in the 2022–2024 period, associated with

the Coral Sul FLNG project, were not properly explained in the budget documents, namely with regard to their concrete allocation, their inclusion in the Sovereign Fund and their articulation with the objectives of intergenerational savings. This information gap is not only a reporting problem, but a structural governance risk. It reduces the capacity for public and parliamentary scrutiny on the use of extraordinary resources.

Although the Mozambique Sovereign Fund was conceived as a vital instrument for macroeconomic stabilization and intergenerational savings, the available evidence suggests that, in a context of high financial pressure on the state, there is a risk that gas revenues will be used as a short-term mechanism to meet cash needs. TA itself, when analyzing the 2024 budget execution, points to the use of extraordinary revenues in the financing of the State Budget, even if accompanied by formal justifications, which weakens the role of the Fund as a medium and long-term fiscal anchor.

Thus, the primal risk for 2026 lies not only in the legal architecture of the Sovereign Fund, but in the tension between its strategic goals and the effective practices of managing gas revenues, in the context of severe fiscal constraints. Without robust transparency mechanisms, clear allocation rules and effective institutional safeguards, the Fund risks having its credibility undermined even before its full operational consolidation.

1.4.3 Delays in gas cost audits

Delays in recoverable gas constitute a silent, cumulative, and potentially extremely high tax risk. In the tax regimes applicable to natural gas projects in Mozambique, based on *cost recovery* mechanisms, the State's ability to collect revenues depends directly on the prompt and rigorous verification of the costs declared by the operating companies.

The TA's report and opinion on the CGE 2024 draws attention to persistent weaknesses in the control and audit processes of costs associated with extractive projects, including institutional limitations, procedural delays, and insufficient technical capacity. These weaknesses increase the risk that inflated or improperly classified costs will in practice be accepted by omission, artificially reducing the tax base and postponing the materialization of tax revenues for the State.

CIP's analyses reinforce this warning by stressing that each year of delay in the audit of gas costs stands for not only a potential loss of revenue in the short term, but a permanent effect on the State's fiscal trajectory. Once accepted, even implicitly, excessive costs tend to be combined in future recovery calculations, making it extremely difficult to reverse them later.

In a context where gas revenues are often presented in public and political debate as a structural solution to the country's fiscal constraints, the absence of prompt audits seriously undermines this narrative. Instead of functioning as an instrument to strengthen public finances, gas projects may end up reproducing fiscal erosion dynamics, transferring values from the State to private operators in a non-transparent way.

Although natural gas production started in 2022, it is from the middle of this decade that a progressive and non-automatic materialization of net revenues for the State, associated with the Coral Sul FLNG project, is expected as the recovery of the high first investment costs advances. However, in 2026 this process takes place in a context marked by more moderate international prices, greater competition in the global LNG market and an operational reduction in production volume, which may limit or delay the pace of effective entry of tax revenues. This framework reinforces the centrality of cost audits, fiscal discipline, and institutional transparency to ensure that gas monetization effectively translates into sustainable public benefits.

1.4.5 External shocks, international prices, and conflict in Cabo Delgado

The international context points to a scenario of higher global energy supply and downward pressure on oil and gas prices in 2026, reducing the profitability margins of extractive projects and increasing investors' sensitivity to non-economic risk factors. This external environment makes investment and financing flows more selective, favoring countries with greater institutional predictability and lower operational risks, as widely documented by international organizations.

In addition to price dynamics and global supply developments, the international energy environment in 2026 remains constrained by geopolitical tensions involving major producers and countries subject to international sanctions regimes. In February 2026, military strikes conducted by the United States and Israel against Iran brought about precisely the kind of episode that this risk expected¹.

A direct escalation involving one of the main energy players in the Middle East, with the potential to disrupt liquefied natural gas

¹Euronews. (2026, 28 de Fevereiro). EUA e Israel lançam ataques contra o Irão: o que sabemos até agora. Disponível em: <https://pt.euronews.com/2026/02/28/eua-e-israel-lancam-ataques-contra-o-irao-o-que-sabemos-ate-agora>. Acesso a 02 de Março de 2026.

transport routes, namely through the Strait of Hormuz, a critical corridor for exports from Qatar and other Persian Gulf producers that compete directly with Mozambican projects.

Nevertheless, of the specific trajectory of this conflict, the evolution of which remains uncertain at the time of publication of this document, the episode structurally reinforces the fragmentation of the energy market and intensifies suppliers' appreciation perceived as politically stable and predictable. This context tends to benefit actors with consolidated supply chains, while increasing the selectivity of investors and buyers, penalizing countries where security, governance and institutional predictability risks remain high.

In Mozambique, this unfavorable international scenario interacts directly with the persistence of the armed conflict in Cabo Delgado, raising perceived country risk, increasing financing costs, increasing security expenditures, and delaying investment decisions. In addition to the direct impact on gas projects, the conflict generates reputational and institutional risks that may affect the country's credibility in the international market, with indirect effects on budget execution, the mobilization of external financing and the materialization of future revenues from the extractive sector.

1.5 RISK OF DOUBLE SUBORDINATION: OFFICE OF REFORMS AND STRUCTURING PROJECTS, AND THE REGULATORY INSTITUTIONS OF THE EXTRACTIVE SECTOR

In February 2025, the President of the Republic created the Central Office for Reforms and Strategic Projects (GCRPE), through Presidential Decree No. 13/2025 of 17 March, a structure with legal personality and administrative autonomy, directly attached to the Presidency of the Republic. According to the decree, the GCRPE's mission is to *"advise the President of the Republic in the formulation, coordination and monitoring of strategic initiatives and reforms of great national impact"*, including, specifically, *"analysis of contracts and concessions"* and *"monitoring and evaluation of the progress of reforms and strategic projects"*, especially those related to the *"exploitation of strategic resources"*.

The creation of this institution introduces a potential risk of double subordination in the extractive sector. The GCRPE now has coordination and supervision powers on matters that are legally assigned to regulatory institutions established for more than a decade, namely the National Petroleum Institute (INP), the National Mining Institute (INAMI), the Administrative Court (TA) and the Sovereign Fund of Mozambique, which have operational management assigned to the Bank of Mozambique. with supervision from the Ministry of Finance.

Potential risk can materialize through the following channels:

- Competition of competences in the analysis of contracts - the GCRPE assumes the functions of analysis of contracts and concessions, a competence that is traditionally the responsibility of the sector (MIREME) and of the technical regulators (INP/INAMI). This creates ambiguity as to which body has the final say in negotiations with extractive sector operators.
- Fragmentation of the chain of command - the GCRPE reports directly to the President of the Republic while INP and INAMI report to MIREME. In a scenario of technical divergence between the GCRPE and MIREME, on concession terms or supervision of recoverable costs, the private operator may benefit from uncertainty about which decision prevails;
- Risk of overlap in reform supervision - the GCRPE coordinates structural reforms, which may include tax and regulatory reforms of the extractive sector, an area where MIREME, the Ministry of Finance and the Tax Authority already have defined competences; e
- Vulnerability of the principle of technical ability - the executive coordinator of the GCRPE, João Machatine, is a civil engineer by training, with no documented experience in monitoring oil and gas costs or evaluating production sharing contracts. On the contrary, the INP has (or should have) specialized technical teams to audit recoverable costs.

While the EPGR is a recent structure (established in March 2025), the 2024 RPCGE has already identified systemic weaknesses in the inter-institutional coordination of the extractive sector. The TA reports that, *"after 3 years, the sector regulator (INP) continues to be ignored by concessionaires in relation to recoverable cost balances"*. The introduction of a new actor with coordination powers (GCRPE), without clear demarcation from the NPI, may aggravate this fragmentation, especially if the EPGG takes divergent positions from the technical regulatory authority.

In this sense, this potential double subordination may have implications in 2026, highlighting:

- a) Increased regulatory risk - private operators can exploit the multiplicity of interlocutors for “forum shopping”,² seeking approvals in less technically demanding instances;
- b) Delay in cost audits – if the GCRPE and INP differ on recoverable cost assessment methodologies, dispute resolution may require presidential arbitration, delaying already critical processes;
- c) Opacity in the decision-making chain - the existence of a GCRPE Coordination Council, headed by the President, parallel to the governance structures of the Sovereign Fund and MIREME, creates multiple decision-making canthers on the same revenue stream.

1.5.1 Extractive Sector Priority Risk Matrix in 2026

Risk	Economic justification	Probability	Impact	Key mitigation measures
1. Shortage of foreign exchange	Dependence on extractive exports and external shocks	High	Extremely high	Transparent exchange management; strengthening of customs and exchange control mechanisms
2. Opacity for gas revenues	Risk of discretionary decisions and loss of confidence	Medium–High	Extremely High	Public traceability; Independent audits
3. Delays in audits	Permanent erosion of the tax base	High	High	Binding audit calendar
4. External shocks and prices	Falling revenues and investment delays	Medium–High	High	Conservative scenarios; Countercyclical savings
5. Dual institutional subordination (GCRPE vs. INP/INAMI)	Creation of a parallel coordination structure without clear delimitation in the face of technical regulators of the extractive; Risk of fragmentation of the chain of command in contracts and audits	Medium–High	High	Normative clarification of competences; guarantee of technical primacy of the INP in cost audits; keeping TA independence

1.6 SOCIAL, GENDER AND LNOB IMPLICATIONS

The risks associated with the extractive sector are not socially or gender neutral. When revenue management fails or when external shocks reduce the fiscal capacity of the state, the costs of adjustment often fall on women, youth and rural communities, reinforcing structural inequalities and undermining the *Leave No One Behind* principle. The reduction in gas revenues could lead to cuts in the social subsidy program, which benefits mostly female heads of households, aggravating female poverty.

Currency shortages and fiscal adjustments tend to disproportionately affect women, young people, and female-headed households, through the increase in the cost of living, the reduction of public services and the precariousness of employment.

² Prática de selecionar estrategicamente, entre várias instâncias jurisdicionais ou administrativas com competências conflituosas ou sobrepostas, aquela que oferece maiores probabilidades de obter decisão favorável. No contexto regulatório, designa o risco de operadores privados explorarem a multiplicidade de interlocutores institucionais para obter aprovações menos exigentes ou criar incerteza sobre a autoridade competente. Ver: Black’s Law Dictionary (11a ed., 2019); ou EITI, Guidance Note on Governance of Extractive Industries (2023)

1.7 CONCLUSION

By 2026, the extractive industry in Mozambique will no longer be just a set of future promises but a concrete test of the state's ability to manage natural resources under adverse conditions. The risks identified in this report are not hypothetical: they are anchored in empirical evidence, official documents, and trends already observable in the country's macroeconomic, fiscal, and institutional context.

The combination of more moderate international prices, increased competition in the global LNG market, operational production constraints and persistent governance weaknesses creates an environment in which the materialization of public benefits from natural gas is far from guaranteed. Without timely cost audits, effective revenue traceability, and robust institutional safeguards for the Sovereign Fund, the risk of fiscal erosion and discretionary use of extraordinary resources remains high.

In this context, the main challenge for Mozambique in 2026 is not the absence of natural resources, but the ability to transform extractive revenues into macroeconomic stability, tax justice, and social inclusion. Failing this test could mean not only the loss of a historic opportunity, but the reproduction of cycles of dependency, external vulnerability, and inequality, with lasting impacts on social cohesion and the institutional credibility of the State, in direct contradiction with the sustainable development goals and the principle of *Leave No One Behind*.

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CHAPTER II

PUBLIC FINANCES



CHAPTER II

2. RISKS TO MONITOR IN PUBLIC FINANCES

By: Teresa Boene and Gift Essinalo

The prospects for the governance of Public Finances in 2026 are conditioned, on the one hand, by the safeguarding of fiscal sustainability in a context characterized by persistent fiscal deficits, growing pressure on the State treasury and debt levels that compress the fiscal space available for structuring public policies. On the other hand, they are conditioned by the need to strengthen institutional credibility, the predictability of economic policies and the integrity of public management processes, critical factors for macroeconomic stability, for anchoring the expectations of economic agents and for preserving the confidence of cooperation partners and investors.

In this context, the State Enterprises Sector (SES) assumes a central role, to that extent as the fiscal risks associated with it fall on Public Finances. SBS is a channel for the transmission of pressures on Public Finances, either through explicit charges, namely subsidies, recapitalizations and executed guarantees, or through contingent liabilities and implicit liabilities that, ultimately, fall on the State as a shareholder and guarantor of last resort of economic and social stability.

It is within this perimeter that the following are identified as priority risks for the governance of Public Finances: i) the worsening of the budget deficit; ii) restructuring of the Public Debt; iii) exchange devaluation and iv) the SBS.

The vulnerability of Public Finances, as an instrument for the materialization of public policies, reduces the State's ability to respond, with predictability and quality, to the needs of the population. This fragility translates into the weakening of the Government's capacity to fight poverty and promote inclusive and sustainable growth, thus undermining the realization of basic rights and the sustainable development agenda, including the principle of "*Leave No One Behind*".

2.1 KEY RISKS AND VULNERABILITIES FOR 2026

The main risks and vulnerabilities to be watched in 2026 are presented below, identified according to their probability of occurrence, their potential impact on Public Finances and on the implementation of public policies and the respective proposals for mitigation measures. These risks reflect persistent weaknesses in fiscal architecture, fiscal discipline, investment management, and institutional governance, with an effective capacity to degrade the economic environment, increase financing costs, reduce the quality of public services, and undermine the achievement of sustainable development goals.

2.2 RISK OF WORSENING BUDGET DEFICIT

The worsening of the budget deficit is one of the main risks to Public Finances in 2026, in a context marked by structural limitations in revenue mobilization, high rigidity of public spending (especially salaries and debt burdens), strong exposure to climate shocks and growing pressure to finance social policies and public investment.

In the Economic and Social Plan and State Budget (PESOE) 2026, the Government set a fiscal deficit of around 113,664.9 million Meticaís, equivalent to 7% of GDP. However, the achievement of this target is vulnerable to factors that can increase expenditure and, at the same time, reduce tax collection.

One of the main channels for the materialization of risk lies in insufficient budgetary capacity to accommodate floods and floods. The climate insurance instrument in force focuses mainly on drought and cyclones, leaving a relevant gap in the coverage of flood events, which remain among the most recurrent shocks. In this scenario, readiness, response, recovery, and reconstruction tend to fall directly on the State Budget, through contingency appropriations and reprogramming during execution. For 2026, the contingency allocation stands at around 2,532.2 million Meticaís, a figure that is out of line with the preliminary estimates of the damage associated with the floods that occurred between 9 and 18 January of this year, pointed to more than USD 644 million, equivalent to approximately 40,894.0 million Meticaís. The difference between the potential magnitude of the shock and the available fiscal buffer is therefore exceptionally large, which increases the likelihood of significant deviations from the deficit target.

The pressure is not limited to the expenditure side. Floods affect economic activity, interrupt production and logistics chains, and

reduce the ability of families and companies to pay, with repercussions on the collection of VAT, customs duties, IRPC, IRPS and social contributions. Thus, a double shock is formed: an increase in public spending needs, at a time when the tax base is weakening, which tends to widen the deficit and accelerate the accumulation of arrears, especially if the fiscal response depends on *ad hoc* adjustments and spending reorientations without transparent priority criteria.

A second risk factor stems from the recent trajectory of donations and external concessionary financing. The recent reconfiguration of foreign aid shows that several countries – such as Sweden³, the United Kingdom, Switzerland, Germany, France, and the Netherlands⁴ – are reducing their volume of foreign aid to African countries, including Mozambique. In this context, the materialization of PESOE 2026 is conditioned on the country's ability to mobilize resources from other alternative sources. Under these conditions, increased recourse to domestic debt appears to be a short-term solution, with predictable effects on the cost of financing, pressure on interest rates, refinancing risk, and the effect of crowding out credit from the private sector, which in turn may affect growth, revenue, and fiscal sustainability.

Likelihood: Medium-High

The probability of this risk materializing is classified as medium high because, despite ongoing initiatives to strengthen tax collection, Mozambique's tax base remains vulnerable to climate shocks, which compress economic output and compromise production chains. These phenomena reduce formal transactions and reduce the ability of households and companies to pay, directly affecting revenue collection.

At the same time, climate events increase the need for immediate public financing for response, recovery and reconstruction of essential infrastructure and services. On the other hand, dependence on foreign aid can amplify this picture, given that the current geopolitical reconfiguration has led part of the programmatic support partners to reorient priorities, reducing the margin of assistance to the recipient countries. This trend can negatively impact on the budgets of beneficiary countries and increase the probability of risk materialization.

Impact: Medium-High.

The impact tends to be medium high, as the worsening of the deficit deteriorates the fiscal position, weakens sustainability indicators, and raises the perception of risk by creditors, with potential effects on financing costs and refinancing conditions. At the same time, the expansion of the deficit may translate into cash flow restriction and underfunding of social sectors, in a context in which the PESOE 2026 already shows relative compressions in sensitive items, such as health, compared to 2025. The increased pressure resulting from floods may intensify discretionary cuts, precisely where the social impact is most severe, especially because the structure of expenditure is highly rigid: salaries and wages, together with debt service, absorb more than 85% of total state revenues, reducing the margin for adjustments without affecting essential benefits.

Both the growing pressure arising from the service of the Public Debt and the impacts of climate shocks on Public Finances put at risk the integrity and function of the Sovereign Fund of Mozambique. The need to mobilize extraordinary resources to cover budget deficits and emergency expenditures may lead to the use of the fund for purposes other than those provided for by law, compromising its ability to serve as a tool for macroeconomic stabilization and support for long-term strategic investments. This situation increases the country's fiscal vulnerability, reduces the Government's room for maneuvering in the face of new shocks and increases risks of compromising fiscal sustainability, thus reinforcing the circle of pressure on the fiscal deficit.

Proposal for Mitigation Measures

To reduce the probability and impact, it is necessary to institutionalize a disaster risk financing framework with three pillars, namely: the first - reinforcement and clarification of the contingency allocation, with activation rules, ceilings and public reporting; the second - and; the third ... expansion of parametric insurance to include floods and floods, with objective triggers and rapid disbursement; (...) In addition, the execution of emergency expenditure must comply with integrity safeguards, with timely publication of contracts, beneficiaries, and physical execution, to protect scarce resources and prevent urgency from becoming an opportunity for mismanagement.

Short list of suppliers of emergency goods and services to serve as a credible basis to avoid non-transparent tenders in times of emergencies. Implement transparent management of public resources to gain the trust of the population as one of the mechanisms to improve revenue collection capacity.

2.3 RISK OF PUBLIC DEBT RESTRUCTURING

The upward trajectory of debt burdens, especially domestic debt, increases the risk of possible restructuring if the State faces difficulties in honouring commitments under the agreed terms and deadlines. The combination of persistent deficits, high domestic financing costs and pressure on liquidity can lead to situations of financial tension, forcing the renegotiation of terms, interest rates, or contractual conditions with internal and external creditors. A restructuring, even if preventive or selective, would tend to signal fiscal fragility, affecting the perception of sovereign risk, making future financing more expensive, and imposing significant reputable costs on the country. Thus, the current pattern of growth of debt, and its service, not only aggravates the budgetary burden, but also increases the likelihood of forced adjustments in the public debt management strategy.

Likelihood: High

The probability of an increase in the costs of public debt and of the possible need for restructuring is high. It is justified by the need for additional resources to accommodate expenses associated with climate shocks, in the context of reduced external aid and a macroeconomic environment marked by a shortage of foreign currency, with adverse effects on private sector activity. Faced with these restrictions, the Government will tend to increasingly resort to domestic financing, in a relatively narrow financial market, which puts pressure on interest rates and increases future debt service burdens.

Impact: High

The impact of a restructuring is high as it would affect the credibility of the country, consequently reducing access to external and internal financing and the future cost of borrowing. The deterioration in confidence could also cause exchange rate pressure, rising inflation and economic slowdown, amplifying the fiscal challenges that existed at the time.

Proposals for Mitigation Measures

Mitigating restructuring risk requires credible fiscal consolidation and transparent public debt management. On the one hand, domestic revenue mobilization, including rigorous and responsible administration of tax benefits, should be strengthened to reduce revenue losses and broaden the effective tax base. On the other hand, it is necessary to gradually contain and rationalize the growth of public expenditure, with a focus on efficiency and prioritization, to stabilize and progressively reduce budget deficits, preventing them from perpetuating them at levels incompatible with debt sustainability. Secondly, the use of concessional external financing should be prioritized whenever possible and, at the same time, the average maturity of the domestic debt should be lengthened, reducing the risk of refinancing and smoothing the amortization profile.

Finally, the reduction of fiscal dominance is of major importance, as it allows monetary policy to be oriented primarily towards price stability and the anchoring of expectations, rather than being subordinated to the financing needs of the State. In this context, close coordination between fiscal and monetary policy would help mitigate excessive pressures on interest rates, safeguard the liquidity of the financial system, and strengthen macroeconomic stability.

2.4 RISK OF CURRENCY DEPRECIATION

Mozambique is going through a highly intense currency crisis, marked by persistent shortages of foreign currency, particularly the US dollar, in the formal market³. This restriction translates into the accumulation of outstanding invoices and the increasing difficulty of companies in accessing foreign currency to settle external commitments. In this context, the official exchange rate has remained largely contained by administrative mechanisms and interventions that do not keep pace with effective demand pressure, while the parallel market reflects a higher exchange rate, incorporating a scarcity premium and an increased perception of risk. The misalignment between the formal and informal circuits reinforces incentives for arbitrage. Agents holding foreign currency prefer to trade in the parallel market where the price is more attractive and the gain is immediate, which further reduces the liquidity of the official market and deepens segmentation.

³ Para mais informações, consulte Boene, T. (13 de agosto de 2025). Moçambique entre a estabilidade cambial e o mercado paralelo: quem paga a conta? Centro para a Integridade Pública. <https://www.cipmoz.org/wp-content/uploads/2025/08/Mocambique-Entre-a-Estabilidade-Cambial-e-o-Mercado-Paralelo-Quem-Paga-a-Conta-1.pdf>

The scarcity of foreign exchange is thus one of the main vectors of macroeconomic and fiscal risk, in an economy structurally dependent on imports and with a narrow export base. The insufficiency of foreign currency in the formal market limits the import of essential intermediate and final goods, affects the continuity of production cycles and conditions employment. At the same time, it intensifies pressures on costs, delivery times and companies' planning capacity.

A central element that helps to explain the Central Bank's caution in easing exchange rates is the framing of monetary policy in a regime of inflation targeting, oriented to keep inflation at stable levels, preferably below double digits. However, this option becomes operationally inconsistent when it coexists with the attempt to maintain low interest rates and an artificially stabilized exchange rate in an environment of currency scarcity at the same time. The instruments available do not make it possible to sustain these objectives without increasing costs and without the accumulation of macroeconomic imbalances in the medium and long term.

In this context, the risk of devaluation stems from the tension between the reality of the foreign exchange market and the administered rate. Although in the short term the Central Bank can postpone the correction through market interventions, currency rationing and administrative measures, preserving a semblance of stability. However, as these interventions lose intensity, or become less effective, the effective supply of foreign exchange in the formal market becomes even more compressed and an increasing share of transactions migrate to the informal circuit, where the parallel rate is established as a practical reference for prices, contracts, and expectations. With the widening of the scarcity premium and the deterioration of confidence in the official rate, the probability of an exchange rate adjustment to limit macroeconomic costs increases, either through a gradual and controlled relaxation of the regime, or through a more abrupt correction, when the containment mechanisms are exhausted and it becomes impossible to sustain the administered rate without compromising reserves, economic activity and monetary policy credibility.

Likelihood: Medium-high

The probability of a currency devaluation in the short term is medium. The Central Bank may, for some time, continue to sustain an artificial exchange rate, through intervention and control mechanisms. Still, this strategy tends to lose steam as its macroeconomic costs tend to worsen, which may lead, in the medium term, to gradual relaxation and greater exchange rate flexibility.

In this horizon, the risk becomes higher because the prolonged maintenance of an artificial rate tends to deepen imbalances, pressure the currency market and aggravate distortions in the economy, especially if the instruments used to contain exchange rate tension and the scarcity of foreign currency are exhausted.

Impact: High

The adoption of an exchange rate relaxation, as a measure to correct the misalignment between the formal and informal markets and reduce the incentives to sell currencies in the parallel circuit, may produce a relevant side effect - the acceleration of the general price level. This risk stems from the high dependence on imports of essential goods, such as fuel, medicines, and cereals, which today benefit largely from financing at the formal exchange rate.

The fuel sector acts as the main amplifier due to its ability to contaminate the economy, through second-round effects on transport, logistics and the cost structure of companies. Transmission to prices can occur quickly and across the board, compressing the purchasing power of households and public spending, both through salary adjustments and by increasing the costs of acquiring goods and services by the State.

Proposals for mitigation measures

Mitigating the shortage of foreign currency involves adjusting the exchange rate regime in order to make it effectively more flexible, with an explicit band and operational ceilings, supported by transparent intervention rules and a predictable adjustment schedule, in order to bring the price of the currency closer to market conditions, reduce arbitrage between the formal and informal circuits and reabsorb a relevant portion of transactions into the financial system.

On the structural level, the reduction of external vulnerability depends on the diversification and expansion of the export base. This includes concrete measures to speed up tax refunds to exporters, reduce logistics costs, ensure reliable energy and transport, simplify customs procedures, and promote production chains with export potential, in addition to prudent management of public imports and contracts that put pressure on the demand for foreign currency.

2.5 STATE ENTERPRISE SECTOR RISK

The current configuration of the models for appointing and selecting management in the State Enterprises Sector (SES) highlights structural weaknesses in terms of corporate governance. Among the most critical phenomena associated with this reality is the so-called *revolving doors*⁴, a process marked by the recurrent circulation of holders of political office or party trust to management positions in public and investee companies.

This practice introduces significant distortions in management systems, compromises the technical autonomy of the governing bodies, and increases operating costs. One of the positions most vulnerable to this pattern is that of the Non-Executive Director, whose role, at the international level, is associated with strengthening strategic supervision, promoting rigor in risk management, and providing specialized advice, oriented towards sustainability and the creation of long-term value. In the national context, however, the operationalization of this figure has often deviated from its functional matrix of reference, assuming contours that indicate, above all, logics of political-party accommodation, to the detriment of the expected independence and technical qualification.

The absence of transparent and objective criteria for the selection, appointment, reappointment, and performance evaluation of the members of the Boards of Directors creates a permissive environment for the political-partisan capture of the management bodies, weakens the mechanisms of individual and collective accountability, and normalizes the rotation of staff without a basis of proven merit.

Likelihood: High

The lack of clear, transparent, and publicly verifiable criteria for selecting and appointing officers based on skills and suitability keeps the system vulnerable to the repetition of revolving doors.

Thus, appointments, especially for Non-Executive Director, tend to continue to follow discretionary decisions, often based on political or party trust, rather than on demonstrated merit, independence of judgment and technical suitability for the position.

Impact: Medium-High

The capture of the governing bodies weakens the management of public companies. Decisions lose quality, costs increase, and integrity risks grow, including conflicts of interest and options that do not serve the public interest. In addition to resulting in less qualified individuals occupying such positions, it can lead to poor operational and financial performance and avoidable expenses. When performance deteriorates, the impact is not limited only to the company, but also to the Public Finances. The State ends up bearing losses, whether due to recapitalizations, activated guarantees or other obligations that arise as contingent liabilities. The absence of public data on profiles, processes, and evaluations limits measurement by company, but the size of the phenomenon and the exposure of the public purse support this classification.

Proposal for mitigation measures

In the SOE, the competition for integration into the management and administrative bodies must assume greater relevance. It is a question of the management of public assets, the allocation of collective resources and the direct exposure of the public treasury to financial, reputational and integrity risks. The discretionary selection and appointment of management bodies represent a potential risk to amplify phenomena of party-political capture, conflicts of interest and distortions in the management of public companies.

Mitigating this fragility involves the design and implementation of a robust institutional and governance framework for the SOE.

The framework should be anchored in transparent, competitive, and publicly verifiable criteria for the selection, appointment and reappointment of directors, executives, and non-executives. It must be based on objective requirements of suitability, competence, and suitability for the position, valuing demonstrable professional experience, relevant academic qualifications, sectoral knowledge, independence of judgment and a history of integrity.

To implement these principles, it is necessary to conduct public tenders or open and competitive procedures for the selection of candidates. There must be publicity of the functional profiles, the stages of the process and the composition of the juries, as well as the public reasoning of the appointment decisions, ensuring traceability and justification against the pre-defined criteria. At the same

⁴ Para mais informações, consulte Essinalo, G. (21 de julho de 2024). Portas giratórias: a nomeação de ex-líderes partidários para cargos em empresas públicas e investidas representa um risco de financiamento político ilícito. Centro para a Integridade Pública. <https://www.cipmoz.org/wp-content/uploads/2024/07/Portas-giratorias.pdf>

time, for holders and former holders of political positions of high responsibility, it is necessary to create a normative instrument that establishes a mandatory cooling-off period, in order to reduce incentives for the exchange of favors, prevent institutional promiscuity and protect the technical autonomy of public companies. This period of temporary impediment to the exercise of functions in the management bodies of the SOE should be clearly defined and function as an ethical and legal barrier to the recurrent circulation between politics and public business management.

2.6 APPLYING PUBLIC FINANCE RISKS TO GENDER EQUALITY AND LEAVE NO ONE BEHIND PRINCIPLE

The risks associated with Public Finances produce relevant social implications and jeopardize, directly and indirectly, the trajectory of compliance with the 2030 Agenda, with particular focus on the Sustainable Development Goals (SDGs), more specifically SDG 1 - No Poverty, SDG 3 - Health and Well-Being, SDG 4 - Quality Education, SDG 5 - Gender Equality, SDG - 6 Drinking Water and Sanitation and SDG 10 - Reduction of Inequalities.

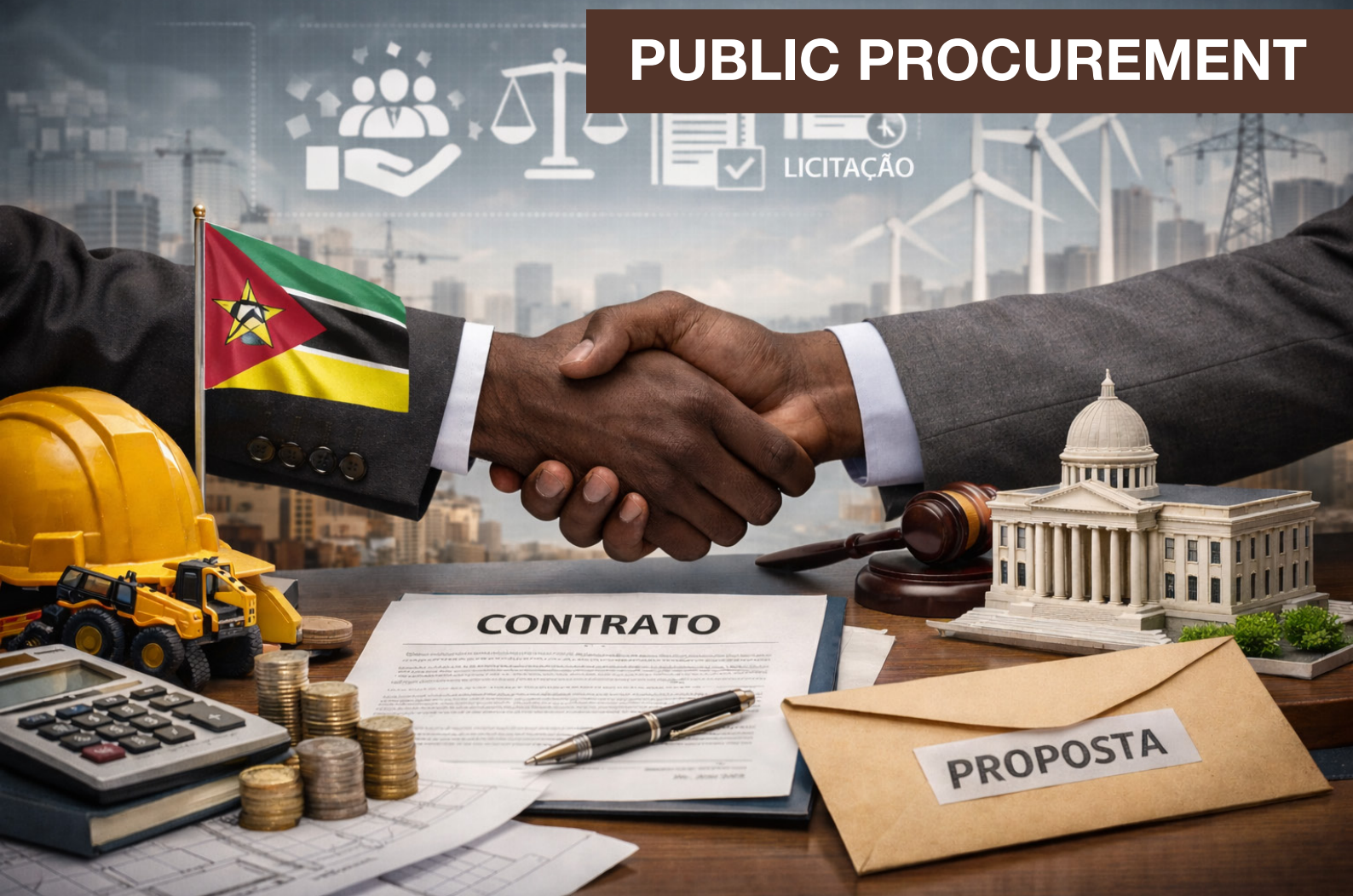
The persistent underfunding of social sectors, in particular health, education and water and sanitation, produces asymmetric distributional impacts, disproportionately affecting women and aggravating gender and territorial inequalities, with greater penalization of rural communities compared to urban ones. This effect has materialized both by reducing the coverage and quality of public services, and by the intensification of unpaid care work, which falls mostly on women and girls.

At the same time, foreign exchange shortages and fiscal adjustments tend to amplify pre-existing vulnerabilities. The deterioration in purchasing power, associated with the increase in the cost of living, the compression of social expenditure and the precariousness of employment affect women, young people and households headed by women more intensely, weakening the *Leave No One Behind* principle and reducing the capacity for social mobility of the groups most structurally exposed to risk.



CHAPTER III

PUBLIC PROCUREMENT



CHAPTER III

3. RISKS TO BE MONITORED IN PUBLIC PROCUREMENT

- Between financial scarcity, emergency, and reconfiguration of economic power

By: Milagrosa Calangue

The year 2026 begins under strong pressure for public procurement in Mozambique. The reduction of external financing, especially in the health sector, the impacts of extreme weather events, the political context of consolidation of power, in the second year of the presidential term, and the high level of government debt to suppliers create an environment of increased risk.

The public procurement process, which represents one of the largest slices of State spending⁵, is never just a technical exercise in the acquisition of goods and services. It is also a space for economic dispute, redistribution of opportunities and, in contexts of scarcity of resources and reconfiguration of power, vulnerabilities related to the concentration of contracts, recurrent use of exceptional procedures and weakening of control mechanisms increase.

The planned centralization of state acquisitions is another sensitive point. While in theory it can generate efficiency gains, it can also concentrate decision-making power and create institutional capture risks if adequate transparency and oversight safeguards are not in place. In this context, five main risks for the public procurement system are analyzed: (i) risk of blockage in the public procurement of medicines, given the scarcity of funding; (ii) risk of reconfiguration and capture of power networks in public procurement; (iii) the risks associated with the centralization of State procurement in the field of e-procurement; (iv) risk of abusive use of direct award in emergency contexts; and (v) the risk of increasing the cost of public contracts due to non-compliance with contracts by the State.

The risk analysis will include the assessment of their probability and impact, and point out mitigation measures, integrating the gender perspective in a transversal way.

3.1 FUNDING SHORTAGES AND RISK OF BLOCKAGE IN PUBLIC PROCUREMENT OF MEDICINES

The supply chain of medicines in the National Health System (SNS) depends directly on the regularity and predictability of public procurement processes. In recent years, this capacity has been supported mostly by external financing, which exposes the system to disruptions whenever these resources dwindle.

As illustrated in the graphs below, in 2023 and 2024 more than half of the needs were covered by external financing. The State Budget (OE) secured a minority share. According to data from the 2024 Annual Activity Report of the Centre for Medicines and Medical Articles, IP (CMAM), in 2023, the sector's needs for medicines and health products were estimated at 23.3 billion meticaís. However, the State Budget allocated only 8.4 billion meticaís, equivalent to 36% of needs, while external financing contributed 12.8 billion meticaís, corresponding to 54%. In 2024, the pattern was maintained: needs stood at 21.5 billion meticaís, domestic financing covered only 5.6 billion (26%) and external financing provided 15.5 billion meticaís, or 72%.



Source: Prepared by the author based on data from the Centre for Medicines and Medical Devices, IP., 2025

⁵ De acordo com o Grupo Banco Mundial e o Departamento para o Desenvolvimento Internacional (2020), pelo menos 33% da despesa pública em Moçambique, correspondente a aproximadamente 15% do Produto Interno Bruto, é destinada à aquisição de bens e serviços e à contratação de obras públicas. Documento disponível em: Disponível em: <https://openknowledge.worldbank.org/bitstream/handle/10986/35388/Main-Report.pdf?sequence=1>

For years, the U.S. Agency for International Development (USAID) has played a key role in the health sector. In 2024 alone, the agency financed around 8.8 billion meticais, equivalent to 41% of the NHS's actual needs for medicines and health products, after a residual contribution in 2023 estimated at 114 million meticais (equivalent to 1% of the coverage of needs in that period), directed to the transport services of medicines and health products. It is also important to mention that the public procurement of logistics and transport services for medicines and health products, throughout the country, was ensured through the CHEGAR (*Commodities for Health: Ensuring Guaranteed Access and Reliability*) project, also funded by USAID.⁶

Thus, the withdrawal of this support creates a funding gap that supports a critical part of public procurement, in a context where the domestic budget does not demonstrate the capacity to absorb a significant portion of expenditure on medicines and health products.

In turn, Swedish cooperation, through the Swedish International Development Cooperation Agency (Sida), channeled, between 2020 and 2025, an estimated amount of around 3.1 billion meticais to population and reproductive health programs, with a direct impact on expanding women's access to family planning, maternal health, and sexual health care⁷.

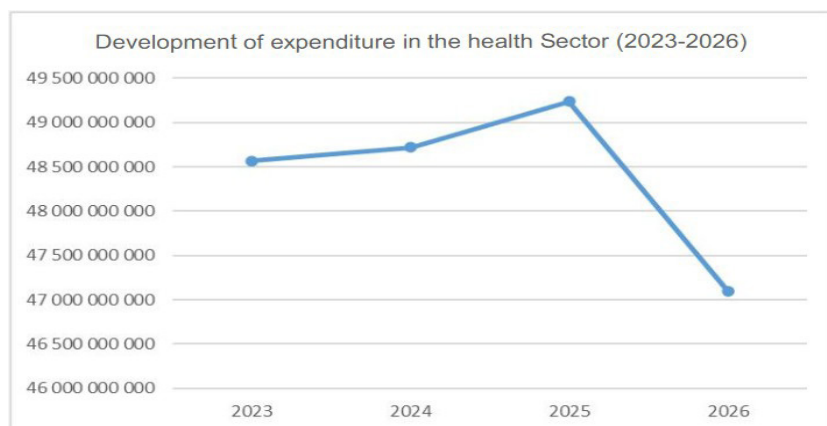
Table 1: Contribution of Swedish Cooperation (Sida) to Population and Reproductive Health Programme (2020–2025)

Year	Amount of funding (in millions of Meticais)
2020	388,8
2021	686,3
2022	396,5
2023	435,5
2024	511,2
2025	665,7
Total Value	3.084,3

Source: Author is prepared based on data available at Openaid.

With the suspension of USAID aid and the progressive closure of AIDS, the system enters 2026 without a clearly structured alternative source to fill this gap. At the same time, the health sector budget is reduced compared to 2025 (see graph 3 below).

Figure: Evolution of Health Expenditure (2023-2026)



Thus, the scarcity of financing not only reduces purchasing capacity, but also leads to an intensification of the dispute between suppliers regarding the few contracts available. This pressure can increase the risk of conflict of interest and concentration of contracts in economically more robust or politically better positioned operators.

In addition, fewer tenders and less contractual predictability tend to generate delays in the award processes, increasing the risk of delays in the import of medicines and stockouts. In turn, the pressure to avoid ruptures can lead to more frequent recourse to direct adjustment, invoking urgency, weakening the principles of transparency and competition.

6 Centro de Medicamentos e Artigos Médicos (CMAM), IP. (2025). Relatório Anual de Atividades 2024. Disponível em: <https://www.cmam.gov.mz/relatorio-anual-de-atividades-2024/>. [Acedido em: 15 de janeiro de 2026].

7 Centro de Medicamentos e Artigos Médicos (CMAM), IP. (2025). Relatório Anual de Atividades de 2024. Disponível em: <https://www.cmam.gov.mz/relatorio-anual-de-atividades-2024/>. [Acessado em: 15 de Janeiro de 2026]. <https://www.sida.se/en/about-sida/openaid-transparent-development-cooperation>

Likelihood: the probability of this risk occurring is high, given the magnitude of external dependence and the absence of public signs of a robust financial transition strategy.

Impact: The potential impact is also high: increased competitive tensions, delays in procurement procedures, shortages of medicines, worsening of preventable diseases, weakening of reproductive health services and increased inequalities in access to them, especially in rural areas.

Mitigation measures: mitigating this risk requires a multi-year plan to phase out external funding, the creation of a contingency fund for essential medicines, the regular publication of stock levels by province, and enhanced advance planning for predictable seasonal outbreaks such as cholera and malaria. The emergency cannot continue to be treated as a recurring surprise.

3.2 RISK OF RECONFIGURATION AND CAPTURE OF POWER NETWORKS IN PUBLIC PROCUREMENT

In 2026, the public procurement system may face an increased risk of reconfiguration of the economic power networks associated with the State. The second year of a presidential term historically tends to be a period of political consolidation and redefinition of alliances, after a first year of conquest of political legitimacy. At similar times in the past, changes at the top of power were accompanied by changes in business groups with privileged access to public contracts.

The transition from Joaquim Chissano to Armando Guebuza was marked by the rise of businessmen such as Celso Correia, Salimo Abdula, Silvestre Bila, and Fernando Sumbana, some of whom were widely associated with the dominant political circle of the time. Subsequently, with the entry of Filipe Nyusi, some of these actors lost space, while new economic operators, including entrepreneurs close to the new decision-making centre, many of them of Asian and Chinese origin, gained prominence. Some groups were able to adapt and maintain influence, such as the Sidat family, which continued to secure relevant contracts, especially in electoral material⁸.

In this context, there is a risk that 2026 will see the entry or consolidation of new players in public *procurement* associated with the current power networks. The award of public tender No. 35A001641/IAOM/CP/16/2025, in the amount of about 130 million meticais, by the Institute of Cotton and Oilseeds of Mozambique (IAOM, IP), to the company Future Technologies of Mozambique, SA, whose owners have corporate links with the current Minister of Agriculture, Environment and Fisheries, Roberto Mito Albino⁹, is a current example that reinforces the perception that tenders can be tailored to certain emerging economic operators, associated with new power networks.

This type of dynamic does not necessarily manifest itself through direct corruption or bribery payments. It can occur through excessively specific technical requirements, qualification criteria adjusted to specific business profiles, repeated concentration of awards in the same entities or systematic exclusion of competitors. This is a risk of structural capture of the system.

Likelihood: The probability of this risk is high, given the political context and historical precedents of economic reconfiguration in cycles of transition or consolidation of power

Impact: The impact is high because the structural capture of *public procurement* consolidates oligopolies, weakens public trust in institutions, distorts competition, and weakens the business fabric

Mitigation measures: mitigation requires greater transparency on the beneficial owners of the contractors; full publication of tenders (specifications, evaluation criteria, award reports and final contracts) on accessible digital platforms, such as websites of the respective institutions and the Government or IGEPE portal (for public companies); creation of a public repository of award history, allowing the identification of concentration patterns.

8 Eleições CIP (27/11/2022). Acordo eleitoral: CNE/STAE fez um ajuste direto de 8,1 mil milhões de meticais ao consórcio Artes Gráficas - Lexton. Disponível em: <https://www.cipeleicoes.org/wp-content/uploads/2022/11/Boletim-das-eleicoes-14.pdf> [acessado em 14 de fevereiro de 2026]; e Integrity Magazine (01/10/2024). A família Sidat pode ter ganho mais de 15 milhões de meticais nas eleições de 2023/2024. Disponível em <https://integritymagazine.co.mz/arquivos/32792> [acessado em 14 de fevereiro de 2026].

9 CALANGUE, Miraculous (2025). Ministro da Agricultura confirma risco de conflito de interesses na área de compras públicas: Investigação revela como a IAOM e a IP atribuíram cerca de 130 milhões de meticais a uma empresa recém-criada, sem experiência e com ligações diretas ao ministro responsável pelo setor. Disponível em: <https://www.cipmoz.org/wp-content/uploads/2025/08/Ministro-da-Agricultura-5.pdf> [acessado em 14 de fevereiro de 2026].

3.3 RISK ASSOCIATED WITH THE CENTRALIZATION OF STATE PROCUREMENT

The implementation of Electronic Public Procurement (E-CP) is expected to start at the beginning of this year (2026), in a pilot phase that should cover the Ministry of Finance, the Ministry of Health and the Ministry of Education and Culture¹⁰. The model provides for the creation of an access point for all State procurements, in practice, a State Procurement Center, with a view to generating efficiency gains, standardization of procedures and greater budgetary control¹¹.

However, without a clearly defined governance model, robust accountability mechanisms and public access to open data, the future plant could become a public procurement “super-gatekeeper¹²”.

Among the risks to be monitored is the excessive political centralization of the procurement process if the new structure comes under the direct influence of the centre of the executive power. Depending on the institutional design, it may open space for selective favoring suppliers or reconfiguration of networks of access to public funds, allowing the emergence of public procurement control cartels from the central procurement center, which may increase centralized corruption.

Centralization can also alter the balance of the market. If the procedures favor large volumes and aggregated contracts, small and medium-sized companies, especially outside the capital, may face greater barriers to access to the benefit of companies with greater financial capacity and proximity to decision-making centers. Similarly, the concentration of public procurement can limit access for small and medium-sized enterprises led by women, exacerbating already existing economic inequalities.

The model may also generate institutional tensions between local governments (which are the final consumers of goods and services) and the central unit responsible for the purchase. Any reduction in autonomy to respond to specific needs may affect the implementation of local plans, weaken accountability at decentralized level, and jeopardize the ongoing decentralization process.

Probability: the probability of this set of risks can be considered medium, considering that the final design of the model is not yet public.

Impact: the potential impact, however, is high, given the cross-cutting nature of public procurement and the volume of resources involved.

Mitigation measures: real-time publication of notices, evaluation criteria, award reports, signed contracts and addenda; financial and physical execution of contracts; creation of a multisectoral Supervisory Board (Administrative Court, civil society, private sector, academia); existence of a multisectoral Supervisory Board (Administrative Court, civil society, private sector, academia); existence of an Autonomous management model, with its own statute and clear legal mandate to avoid direct subordination to a single political centre and centralization of *procurement*.

3.4 RISK OF ABUSIVE USE OF DIRECT ADJUSTMENT

Extreme weather events, such as floods, floods and cyclones, recorded since the beginning of January (2026) in the country, tend to create emergency contexts that can justify the use of direct adjustment in public procurement.

In the health sector, floods and floods put additional and unexpected pressure on the system. The foreseeable increase in water-based diseases such as cholera and malaria requires rapid procurement of medicines, vaccines, laboratory supplies, and treatment kits that in many cases were not included in annual *procurement plans*.

In the infrastructure sector, the destruction of roads, bridges and schools also requires immediate state interventions. Data from the National Institute for Disaster Risk Management and Reduction (INGD) indicate that, in the period between January 9 and February 5, 2026, alone, just over 3.7 thousand km of roads were affected by floods¹³.

The urgency of restoring transitivity and restoring public services tends to speed up procedures and favor direct awards, creating an environment of greater risk in the management of public resources.

10 Informação partilhada pelo Ministério das Finanças, no âmbito do lançamento do projeto de Contratação Pública Eletrónica (e-CP), em 2 de abril de 2025, no Centro de Internacional Conferencia Joaquim Chissano.

11 Idem

12 «Super-gatekeeper»: é uma expressão usada para descrever uma pessoa, instituição ou grupo que tem grande poder de controlo sobre decisões, recursos ou informações, influenciando quem tem acesso a oportunidades e quem fica de fora.

13 Carta de Moçambique. (09/02/2026). Mais de 7-mil km de estradas afetadas por inundações e cheias. Disponível em: <https://cartamz.com/destaque/49061/mais-de-7-mil-km-de-estradas-afectadas-pelas-cheias-e-inundacoes/> [Acedido em : 14 Fevereiro de, 2026].

Although direct award is legally provided for exceptional situations¹⁴, it is a mechanism that reduces the level of competition and limits public scrutiny, making the process structurally more vulnerable to favoritism practices and the capture of public procurement processes. The risk arises when the extraordinary mechanism starts to be used on a recurring basis.

Recent repairs to National Road Number 1 (EN1), some sections in Gaza province and Manhiça district, illustrate the risks associated with emergency contexts. The works were started in an emergency context, but doubts remain about the terms of the selection of the company Construções JJR e Filhos Moçambique, S.A¹⁵, which may have occurred by direct agreement. While urgency may justify simplified procedures, the absence of detailed information on the award process tends to fuel perceptions of opacity.

Without immediate publication of contracts, clear technical justification of urgency and subsequent rigorous audits, the use of direct award can contribute to the gradual erosion of the principles of transparency, competition, and sound financial management of public expenditure.

Probability: the probability of intensified use of direct adjustment in 2026 can be considered high given the urgency of rebuilding social infrastructure and restoring public services.

Impact: The potential impact is high as the standardization of exceptional procedures may undermine the integrity of the public procurement system.

Mitigation measures: mitigation requires real-time publication of all contracts awarded by direct award; detailed disclosure of the reasons for urgency; identification of the beneficial owners of the contractors; and mandatory and independent ex-post audits, with reports made public.

3.5 RISK OF INCREASED COST OF PUBLIC CONTRACTS DUE TO BREACH OF CONTRACT BY THE STATE

According to the Minister of Finance, Carla Alexandra Loveira, speaking to Radio Mozambique, by 2025 18 billion meticaais of the debt accumulated with suppliers of goods and services to the State had been paid, with a remaining 12.8 billion meticaais¹⁶. Despite the effort to regularize, the amount outstanding remains high in the face of the growing financing needs of the State, particularly for the health and infrastructure sectors, under pressure.

Delays have a direct effect on the supplier market. Companies may incorporate risk into prices, demand upfront payments, reduce the volume of supplies, or stop supplying. The result would be less competition, more expensive contracts, and a greater likelihood of failures in the provision of goods and services.

Likelihood: Given the fiscal reduction and additional pressures stemming from post- flood reconstruction, the likelihood of debt worsening in 2026 is high.

Impact: the impact is also high because it compromises not only the efficiency of public spending, but also the State's own operational capacity.

Mitigation measures: to mitigate this risk, it is important to have a public and time- bound debt reorganization plan, with clear annual targets, as well as measures to restrict the conclusion of high-value contracts without effective financial basis. Monthly transparency on the *debt stock* by sector would also be a measure to strengthen credibility.

14 Cf. Artigo 97.º do Decreto n.º 252 que aprova o Regulamento n.º 79/2022, de 30 de dezembro, relativo à contratação de obras públicas, fornecimento de bens e prestação de serviços ao Estado.

15 <https://jrr.co.mz/2026/02/17/construcoes-jjr-e-filhos-mocambique-concluiu-intervencao-de-emergencia-na-en1-apos-cheias/>

16 Provas. (04/02/2026). Governo liquidou dívida com fornecedores de 31 para 12 mil milhões de meticaais. Disponível em ¹⁸: <https://evidencias.co.mz/2026/02/04/governo-liquidou-divida-com-os-fornecedores-de-31-para-12-mil-milhoes-de-meticais/> [Acedido em: 14 de fevereiro de 2026].

3.6 Social, Gender and Leave No One Behind (LNOB) Implications

The main risks that are projected for 2026 in public procurement are not neutral from a gender point of view. In a country where women need more sexual and reproductive health care, pre- and postnatal care, screening, and continued treatment of chronic diseases, and play a central role in family care, any weakness in the system tends to have a direct and amplified impact on them.

The risk of partial collapse of the supply chain of medicines and health products is the most evident example. If there are stockouts, the effects may fall more intensely on women and girls. Reduced availability of contraceptives, maternal health medicines, or safe birth kits can aggravate unplanned pregnancies, maternal mortality, and preventable complications. In rural areas, where acc

ess is already limited, the risk of exclusion is even greater. The proposal to centralize procurement through e-procurement (E-CP) also presents risks from a gender perspective. If tenders favor large volumes and operators with high financial capacity, small and medium-sized companies, where female participation is relatively more expressive, may face higher barriers to entry.

In this context, incorporating gender indicators into public procurement, ensuring stable funding for reproductive health, promoting the participation of women-led businesses, and ensuring transparency in decisions is not just a matter of equity; It is a condition for the sustainability and fairness of the public governance system.

3.7 Conclusion

In 2026, the public procurement system faces a set of interconnected risks that could compromise the financial and institutional stability of the State. The high dependence on external financing in the health sector, combined with reduced support from partners and an insufficient domestic budget, exposes the country to a high risk of disruptions in the medicines supply chain. At the same time, the possibility of reconfiguring power networks in *procurement*, associated with the centralization of procurement and the intensified use of direct adjustment in emergency contexts, can weaken the principles of competition, transparency, and equity.

The risks identified are not just technical or financial challenges. They have a social dimension and impact differentiated by gender. Without integrating a gender-responsive approach into budget planning, award criteria and transparency mechanisms, weaknesses in the system could deepen existing inequalities.

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CHAPTER IV

PRIVATE SECTOR



4. WHAT TO MONITOR IN 2026: INTEGRITY AND TRANSPARENCY RISKS IN THE PRIVATE SECTOR AND MPMES IN MOZAMBIQUE

The integrity and transparency risk analysis in the private sector and Micro, Small and Medium-sized Enterprises (MSMEs) for 2026 adopts a selective and action-oriented approach. Core **risks**, with a high probability of occurrence and direct systemic impact on the private sector and Small and Medium Enterprises (SMEs), are distinguished from **cross-cutting institutional risks**, whose effect is manifested, above all, through the amplification and persistence of structural vulnerabilities. The distinction made is consistent with the macroeconomic and fiscal risk analysis methodologies used by the International Monetary Fund (IMF), the World Bank (WB) and the Organization for Economic Cooperation and Development (OECD) which recommend an analytical focus on risks with the greatest capacity to generate cascading effects and measurable macroeconomic constraints¹⁷.

Based on these criteria, this chapter delves into six **priority risks for 2026: i) regulatory capture; ii) high fiscal risk and limited fiscal space; iii) persistent restriction of credit to the private sector; iv) structural dependence on extractive sectors; v) opacity in public-private partnerships (PPPs) and large projects; and, vi) exchange rate pressures associated with relatively fragile international reserves**. These risks are distinguished by their structural nature, high probability of materialization in the short-term horizon and direct impact on investment, business costs, access to finance and predictability of the business environment, affecting MSMEs particularly severely.

The **other relevant risks – namely conflicts of interest in public procurement, money laundering through the private sector and aggressive tax evasion/avoidance – are not ignored but are treated as cross-cutting institutional risks**. The literature on institutional economics and public governance shows that these risks act mainly as **distortive and amplifying factors**, reinforcing the persistence of core macroeconomic risks, rather than acting as primary triggers of instability in the short term¹⁸. Conflicts of interest tend to skew public decisions and reduce competition, aggravating tax, credit, and large project risks. In turn, money laundering and aggressive tax evasion affect the private sector, mainly through the erosion of the tax base, increased reputational risk and the increase in the cost of financing - channels already embedded in the selected core risks. This methodological option aims **to ensure focus, clarity and operational usefulness**, essential elements for a chapter oriented to risk monitoring and dialogue with public decision-makers and private sector actors. The in-depth analysis of the six priority risks thus provides a solid basis for economic policy and governance recommendations to reduce systemic vulnerabilities and strengthen the resilience of the Mozambican private sector in 2026, without neglecting the need for medium and long-term institutional reforms in the areas of integrity, transparency, and *accountability*.

4.1 TOP RISKS AND VULNERABILITIES FOR 2026

The following is a structured sequence of the main risks and vulnerabilities to be monitored in 2026, identified based on their likelihood of occurrence, potential impact on the economy and the private sector - particularly MSMEs - accompanied by technical rationale. These risks reflect interlinked macroeconomic, financial, and institutional weaknesses, the materialization of which may condition economic stability, the predictability of the business environment and the capacity for recovery and sustainable growth in the medium term.

4.2 REGULATORY CAPTURE

The centralization of rice and wheat imports by the Mozambican Cereal Institute (ICM) creates a *state trading enterprise* with monopoly power over two essential food commodities. According to the Competition Regulatory Authority (ARC) itself, this model eliminates import competition, makes all downstream operators dependent on a single state supplier, and introduces a “single point of failure” in the supply chain, increasing the risk of total stock-outs and corrupt and inefficient practices¹⁹.

¹⁷ International Monetary Fund (IMF). Global Risk Assessment and Surveillance Frameworks. Washington, DC. Disponível em: <https://www.imf.org/en/About/Factsheets/IMF-Surveillance>. Acedido em: 02/02/2026, às 0950hrs / World Bank. Macro-Fiscal Risk Analysis and Management. Washington, DC. Disponível em: <https://www.worldbank.org/en/topic/macroeconomics/brief/macrosfiscal-risk-analysis>. Acedido em: 02/02/2026, às 0955hrs.

¹⁸ OECD. *Risk Management and Corporate Governance*. Paris: OECD Publishing. Disponível em: <https://www.oecd.org/corporate/risk-management/>. Acedido em: 02/02/2026, às 1009hrs. / OECD. *Public Governance Reviews: Integrity and Anti-Corruption*. Paris: OECD Publishing. Disponível em: <https://www.oecd.org/governance/integrity/>. Acedido em: 02/02/2026, às 1021hrs.

¹⁹ Autoridade Reguladora da Concorrência (ARC), Parecer sobre o projecto de Diploma Ministerial relativo à importação de arroz e trigo via Instituto de Cereais de Moçambique (ICM) (Maputo, 2026). Acedido em: 20/01/2026, às 1120hrs; Alberto Massango, “State monopoly on grain imports will risk food security, claims ARC,” Agência de Informação de Moçambique (AIM). Disponível em: <https://aimnews.org/2026/01/20/state-monopoly-on-grain-imports-will-introduce-risks-to-national-food-security-arc/>. Acedido em: 20/02/2026, às 0846hrs.

The literature on *marketing boards* and state-owned grain enterprises in Africa shows that similar arrangements tend to lead to politicized business decisions, discrimination against private operators, and increased price volatility, especially in contexts of weak administrative capacity. Instead of strengthening food security, the state monopoly makes room for regulatory capture: groups with privileged access to the decision-making influence volumes, contracts, and margins to their benefit, while the costs (higher prices, disruptions, exclusion of SMEs) are diffuse for consumers and taxpayers²⁰.

Likelihood: *Medium-High*

The probability of capture is medium-high. The institutional design concentrates all critical decisions (licensing, choice of suppliers, stock, and price management) in an environment marked by high power asymmetry between large operators and SMEs and limited independent supervision capacities. ARC already anticipates risks of corruption and discretion. Experiences from countries such as Malawi, Zambia, and Zimbabwe, with *cereal boards*, indicate that, in similar contexts, capture and rent-seeking are not the exception but a recurring pattern²¹.

Impact: *High*

The impact of this risk is high. It affects, at the same time, food security, the business fabric, and trust in institutions. By concentrating on all rice and wheat imports in ICM, any failure in planning, financing or management can immediately trigger supply disruptions and sharp price increases in essential goods. State exclusivity distorts resource allocation, pushes independent importers and wholesalers to the periphery of the market, squeezes the margins of smaller-scale retailers, millers, and carriers, and discourages private investment in logistics and warehousing.

The impact of regulatory capture is high because it distorts the efficient allocation of resources, reduces competition, and favours *rent-seeking* practices over innovation and productivity.

Regulations designed or applied to protect specific interests create barriers to entry, increase compliance costs, and systematically exclude MSMEs and new entrants, weakening private sector dynamism and economic diversification²² Empirical evidence indicates that captured regulatory environments are associated with lower long-term growth, greater inequality of economic opportunities, and deterioration of trust in public institutions, with persistent negative effects on investment and business competitiveness²³.

At the same time, the combination of public monopoly and regulatory capture, recurrent in international experience, feeds the perception of favoritism and injustice, reduces long-term investment, and weakens the competitiveness of the economy, penalizing, in particular, SMEs and poorer consumers, which can trigger social upheavals.

4.3 HIGH FISCAL RISK

The high fiscal risk in Mozambique is associated with the maintenance of a **projected public debt of around 76.9% of Gross Domestic Product (GDP) in 2026**, according to the *2026 Fiscal Risk Report* released by the Ministry of Finance²⁴. This debt-to-GDP ratio remains **above the international prudential limits recommended** for emerging and low-income economies, requiring greater fiscal discipline and limiting the space for expansive fiscal policies that can finance stimulus to the private sector and MSMEs²⁵. The report also identifies that domestic debt doubled between 2020 and 2024, reflecting growing pressures on public accounts and the need to strengthen fiscal management measures to avoid compromising fiscal sustainability²⁶

The debt-to-GDP ratio is a critical indicator of **fiscal sustainability**: levels above around 70-75% in emerging economies are often considered high by institutions such as the WB and the IMF, as they can signal lower response to shocks and greater vulnerability

20 Christopher L. Gilbert, "Trade, Agriculture and Optimal Commercial Policy," em *Food Security in Africa: Market and Trade Policy for Staple Foods in Eastern and Southern Africa*, ed. Alexander Sarris e Jamie Morrison (Cheltenham: Edward Elgar; Roma: FAO, 2010), 19–26. Disponível em: <https://www.fao.org/4/i0714e/i0714e.pdf>. Acedido em: 20/01/2026, às 0923hrs.

21 Nicholas Minot, "Food Price Volatility in Sub-Saharan Africa: Has It Really Increased?" Food Policy (2014). Disponível em: <https://doi.org/10.1016/j.foodpol.2013.12.008>. Acedido em: 20/01/2026, às 1002hrs.

22 George J. Stigler, "The Theory of Economic Regulation," Bell Journal of Economics and Management Science 2, no. 1

23 (1971): 3–21, <https://doi.org/10.2307/3003160> Ernesto Dal Bó, "Regulatory Capture: A Review," Oxford Review of Economic (1971): 3–21, <https://doi.org/10.2307/3003160> Ernesto Dal Bó, "Regulatory Capture: A Review," Oxford Review of Economic Policy 22, no. 2 (2006): 203–225. Disponível em: <https://doi.org/10.1093/oxrep/grj013>. Acedido em: 20/01/2026, às 1218hrs.

24 Daron Acemoglu, Simon Johnson e James A. Robinson, "Institutions as a Fundamental Cause of Long-Run Growth," em Handbook of Economic Growth, vol. 1A, ed. Philippe Aghion e Steven N. Durlauf (Amesterdão: Elsevier, 2005), 385–472; Disponível em: <https://epge.fgv.br/users/rubens/wp-content/uploads>. Acedido em: 20/01/2026, às 1220hrs.

25 Ministério das Finanças. (2025). Relatório de Riscos Fiscais 2026. Ministério das Finanças de Moçambique. Disponível em: <https://tinyurl.com/56efry4t>, acedido em: 24/12/2025, às 1321hrs.

26 *Ibidem* / Trading Economics. (2026). *Mozambique Government Debt to GDP*. Disponível em: <https://bit.ly/3NsfzSH>, Acedido em: 17/12/2025, às 1209hrs.

to *financial stress*²⁷. The combined effect of high debt and high service costs – estimated at around 7.4% of GDP for interest and amortizations in 2026 – means that a substantial portion of fiscal resources will be committed to debt service, reducing the space for public investment in productive areas or business support policies²⁸.

Likelihood: *High*

Based on the MF's official projections and trends in government debt expansion, the debt- to-GDP ratio is highly likely to remain at high levels throughout 2026, reinforcing the need for continued prudential policies²⁹.

Impact: *High*

A high debt ratio significantly constrains the government's ability to implement countercyclical fiscal policies and to directly support productive investments, including initiatives to support MSMEs and the private sector. The high debt load can also increase the cost of sovereign financing, reducing attractiveness to investors and limiting the ability to respond to external or internal shocks without compromising macroeconomic stability³⁰.

4.4 RESTRICTION OF CREDIT TO THE PRIVATE SECTOR

The restriction of credit to the private sector in Mozambique constitutes a high and persistent risk to productive expansion, particularly in the case of *MSMEs* that rely heavily on financing for working capital and initial investment. WB data show that bank credit to the private sector represented only about **17.3% of GDP in 2024**, a figure significantly below the global average and an indicator that the financial resources available internally to companies are relatively limited³¹.

This reduced credit depth mirrors the tight collateral conditions, risk aversion on the part of financial institutions,³² and collateral requirements that many *MSMEs* are unable to meet, resulting in a financing gap that limits the competitiveness and sustained growth capacity of these firms³³.

The growth rate of private credit – measured by the proportion of domestic credit to the private sector in GDP and by the annual growth of loans negotiated – is a crucial indicator of financial inclusion and economic dynamism. Persistently low levels in Mozambique, compared to economies with more robust financial systems, indicate that the banking sector is not yet channeling resources efficiently to firms³⁴. The combination of rigid collateral criteria, lack of formal credit history for many *MSMEs*, and risk aversion increase the cost and reduce the availability of credit, which in turn limits firms' **ability to finance essential operations and respond to economic or climate shocks**³⁵.

Likelihood: *High*

Based on historical trends in private sector lending and analyses of corporate segments, this constraint is highly likely to persist throughout 2026, as financial institutions continue to apply strict supervisory criteria and remain exposed to high-risk perceptions in contexts of low cap and fragile corporate balance sheets³⁶.

Impact: *High*

The absence of sufficient credit to the private sector has a direct and significant impact on the ability of **MSMEs to launch, survive and expand**. Without adequate access to finance, many firms face difficulties in managing liquidity, financing technology investments, paying suppliers or expanding their operations, reducing their contribution to employment, innovation, and broader economic growth³⁷.

27 Ministério das Finanças. (2025). *Relatório de Riscos Fiscais 2026*. Disponível em: <https://tinyurl.com/56efry4t>, Acedido em: 24/12/2025, às 1321hrs.

28 OECD, 2025; IMF alertas gerais de sustentabilidade.

29 Mozambique government expects to spend 7.4% of GDP on debt servicing in 2026. (2025). Club of Mozambique. Disponível em: <https://tinyurl.com/8m8w9sx7>, Acedido em: 20/12/2025, às 1534hrs.

30 *Ibidem*.

31 Mozambique government expects to spend 7.4% of GDP on debt servicing in 2026. (2025). Club of Mozambique. Disponível em: <https://tinyurl.com/8m8w9sx7>, Acedido em: 20/12/2025, às 1534hrs.

32 Trading Economics. (2026). *Mozambique Government Debt to GDP*. Disponível em: <https://bit.ly/3NsfzSH>, Acedido em: 17/12/2025, às 1209hrs.

33 A preferência das instituições financeiras por títulos do Estado, considerados mais seguros e líquidos, tende a reduzir a oferta de crédito ao sector privado - fenómeno associado ao crowding-out financeiro e amplificado por assimetrias de informação e exigências colaterais que excluem muitas MPMEs do financiamento formal. A literatura económica demonstra que esta combinação de aversão ao risco, exposição à dívida soberana e racionamento de crédito limita a competitividade e o crescimento sustentado das pequenas empresas em economias emergentes (Stiglitz & Weiss, 1981; IMF, 2019; World Bank, 2022).

34 *Ibidem* / World Bank. (2025). World Development Indicators: Domestic credit to private sector (% of GDP). Banco Mundial. Disponível em: <https://bit.ly/4pSv-qXS>, Acedido em: 27/01/2026, às 1128hrs.

35 *Ibidem* / TradingEconomics. (2026). Domestic credit to private sector by banks (% of GDP) - Mozambique. Disponível em: <https://tinyurl.com/bd7r29a7>, Acedido em: 17/12/2025, às 1623hrs

36 Em contextos marcados por choques climáticos - como cheias que destroem activos públicos e privados - a oferta de crédito bonificado ao sector produtivo tende a ser limitada, dado o aumento da percepção de risco por parte das instituições financeiras e a ausência de instrumentos públicos eficazes de partilha de risco. Nesses cenários, os bancos privilegiam a aquisição de títulos do Tesouro, considerados mais seguros e rentáveis, reforçando o efeito de crowding-out sobre o financiamento às empresas, sobretudo às MPMEs, que permanecem com menor acesso à capital para recuperação e investimento pós-choque. World Bank. (2025). World Development Indicators: Domestic credit to private sector (% of GDP). Banco Mundial. Disponível em: <https://bit.ly/4pSvqXS>, Acedido em: 23/12/2025, às 1210hrs / World Bank. (2025). Access to Finance and Economic Opportunities Project - Mozambique. Disponível em: <https://bit.ly/4pSvqXS>, Acedido em: 05/01/2025, às 1630hrs.

37 World Bank. (2025). World Development Indicators: Domestic credit to private sector (% of GDP). Banco Mundial. Disponível em: <https://bit.ly/4pSvqXS>, Acedido em: 23/12/2025, às 1210hrs.

4.5 DEPENDENCE ON EXTRACTIVE SECTORS

Mozambique's economic structure maintains a strong and persistent dependence on extractive sectors - in particular, natural gas, mining, and forestry - which concentrate a significant share of exports, foreign direct investment and growth expectations and tax revenues, but have weak links with the rest of the domestic economy³⁸. This productive configuration disproportionately exposes the country to external shocks associated with the volatility of international *commodity* prices, global investment cycles, and strategic decisions by large multinationals, reducing macroeconomic and fiscal predictability³⁹. The economic literature on the so-called *natural resource curse* shows that economies that are overly dependent on extractive products tend to face lower productive diversification, higher growth volatility, institutional weaknesses, and limited sustainable job creation, especially when resource revenues are not effectively channeled into the development of non-extractive productive sectors⁴⁰. In this context, dependence on extractive products are not only a cyclical risk, but a **structural factor of vulnerability**, which limits the multiplier effect of growth, reinforces the economic duality between large projects and the

domestic business fabric and weakens the resilience of the private sector in the face of external and internal shocks.

Likelihood: *Medium-High*

The probability of materialization of the risk associated with dependence on extractive sectors is medium-high. The Mozambican economy remains structurally concentrated in activities such as natural gas, mining, and forestry that account for a significant share of exports, foreign direct investment, and public revenue expectations, despite formal economic diversification strategies⁴¹

This concentration makes the country particularly sensitive to fluctuations in international *commodity* prices, delays or revisions in major projects, and adverse global cycles, in an international context marked by high geopolitical uncertainty and volatility in commodity markets⁴², which increases the likelihood of recurrent transmission of external shocks throughout 2026.

Impact: *Medium-High*

The impact of this risk is medium-high. Negative shocks in the extractive sectors tend to spread rapidly to the economy as a whole through reduced tax revenues, exchange rate pressures and fiscal adjustments, affecting public investment, macroeconomic predictability and business confidence⁴³. The economic literature shows that economies that are overly dependent on natural resources have higher growth volatility, lower productive diversification and weak linkages between large projects and the domestic business fabric, limiting the growth multiplier effect, sustainable job creation and the resilience of MSMEs to external shocks⁴⁴.

38 World Bank. (2025). World Development Indicators: Domestic credit to private sector (% of GDP). Banco Mundial. Disponível em: <https://bit.ly/4pSvqXS>, Acedido em: 23/12/2025, às 1210hrs / TradingEconomics. (2026). Domestic credit to private sector by banks (% of GDP) - Mozambique. Disponível em: <https://tinyurl.com/bd7r29a7>, Acedido em: 17/12/2025, às 1623hrs

39 World Bank. Mozambique Economic Update No. 9: Navigating Uncertainty (Washington, DC: World Bank, 2023). Disponível em: <https://www.worldbank.org/en/country/mozambique/publication/mozambique-economic-update-9> / Acedido em: 17/12/2025, às 1623hrs: International Monetary Fund. *Republic of Mozambique: 2024 Article IV Consultation* (Washington, DC: IMF, 2024). Disponível em: <https://www.imf.org/en/Publications/CR/Issues/2024/07/12/>

40 World Bank. Mozambique Economic Update No. 9: Navigating Uncertainty (Washington, DC: World Bank, 2023). Disponível em: <https://www.worldbank.org/en/country/mozambique/publication/mozambique-economic-update-9> / Acedido em: 17/12/2025, às 1623hrs: International Monetary Fund. *Republic of Mozambique: 2024 Article IV Consultation* (Washington, DC: IMF, 2024). Disponível em: <https://www.imf.org/en/Publications/CR/Issues/2024/07/12/Republic-of-Mozambique-2024-Article-IV-Consultation-Fourth-Review-551839>. Acedido em: 17/12/2026, às 1712hrs.

41 International Monetary Fund. *World Economic Outlook* (Washington, DC: IMF, 2023). Available at: <https://www.imf.org/en/Publications/WEO>. Accessed on: 17/12/2025, at 1732hrs.

42 Sachs, Jeffrey D., and Andrew M. Warner. "The Curse of Natural Resources." *European Economic Review* 45, no. 4–6 (2001): 827–838. Disponível em: [https://doi.org/10.1016/S0014-2921\(01\)00125-8](https://doi.org/10.1016/S0014-2921(01)00125-8), Acedido em: 17/12/2025, 1454hrs / van der Ploeg, Frederick. "Natural Resources: Curse or Blessing?" *Journal of Economic Literature* 49, no. 2 (2011): 366–420. Disponível em: <https://doi.org/10.1257/jel.49.2.366>. Acedido em: 17/12/2025, às 1420hrs.

43 Como evidenciado pelo intenso debate público e expectativas macroeconómicas geradas no início de fevereiro de 2026, em torno do relançamento do projecto da TotalEnergies - ilustrando como decisões ligadas ao sector do gás podem influenciar as percepções de crescimento, estabilidade e trajetória fiscal do país, fenómeno amplamente descrito na literatura sobre economias dependentes de recursos naturais e ciclos de investimento extractivo. World Bank. *Mozambique Economic Update No. 9: Navigating Uncertainty* (Washington, DC: World Bank, 2023). Disponível em:

<https://www.worldbank.org/en/country/mozambique/publication/mozambique-economic-update-9> / Acedido em: 17/12/2026, às 1343hrs. / International Monetary Fund. *Republic of Mozambique: 2024 Article IV Consultation* (Washington, DC: IMF, 2024). Disponível em: <https://www.imf.org/en/Publications/CR/Issues/2024/07/12/Republic-of-Mozambique-2024-Article-IV-Consultation-Fourth-Review-551839>, Acedido em: 17/12/2025, às 1454hrs.

44 International Monetary Fund. *World Economic Outlook* (Washington, DC: IMF, 2023). Disponível em: <https://www.imf.org/en/Publications/WEO>. Acedido em: 17/12/2025, at 1450hrs. International Monetary Fund and World Bank. *Mozambique: Debt Sustainability Analysis* (Washington, DC, 2023). Disponível em: <https://www.imf.org/external/pubs/ft/dsa/pdf/2023/dsacr2362.pdf>. Granted on: 12/20/2025, at 1203hrs.

4.6 OPACITY IN PPPS AND LARGE PROJECTS

Opacity in public-private partnership (PPP) contracts⁴⁵ and major projects is a structural risk. It reduces transparency on real costs, on risk sharing, on public guarantees and tax benefits, increasing the probability of misallocation of resources and the generation of hidden contingent liabilities for the State⁴⁶. When these liabilities materialize, they tend to translate into unexpected fiscal adjustments, cuts in productive public expenditure or an increase in the tax burden, negatively affecting the macroeconomic environment and the predictability of private investment⁴⁷. For the private sector, and in particular for MSMEs, opacity in PPPs distorts competition by favoring operators with privileged access to information and decision-making, excludes potential local suppliers from value chains and weakens confidence in the rules of the economic game⁴⁹. The international literature shows that environments characterized by low transparency in large projects are associated with lower efficiency of public investment, greater fiscal risk and a lower multiplier effect on the domestic business fabric, compromising the performance and resilience of the private sector in the medium term⁴⁸.

Likelihood: *Medium-High*

The probability of materialization of the risk associated with opacity in PPP contracts and large projects is medium-high, in institutional contexts where the mechanisms of contractual disclosure, *ex-ante* evaluation and continuous monitoring are still limited or irregularly applied⁴⁹. In developing economies, which are heavily dependent on large investments in infrastructure and strategic sectors, the contractual complexity of PPPs, combined with constrained technical

capacities of the public sector, creates incentives for the negotiation of non-transparent clauses on risk-sharing, sovereign guarantees and tax benefits⁵⁰. International evidence indicates that in the absence of robust disclosure frameworks and systematic assessment of fiscal risks, the likelihood of generating hidden contingent liabilities and sub-optimal investment decisions remains high, making it plausible that this risk will recur throughout 2026⁵¹.

Impact: *High*

The impact of opacity on PPPs and large projects is high as it tends to materialize in the form of unexpected tax burdens, distortions in the allocation of public resources and reduced fiscal predictability, with systemic effects on macroeconomic stability⁵². Undisclosed contingent liabilities can quickly turn into explicit tax liabilities, putting pressure on public debt and limiting fiscal space for productive investment and private sector support policies⁵³. In addition, the lack of transparency undermines public scrutiny and competition, favoring the selection of projects

with low socio-economic returns and penalizing the confidence of investors and businesses, including MSMEs, in the institutional and regulatory environment⁵⁴.

45 Como evidenciado pelo intenso debate público e expectativas macroeconómicas geradas no início de fevereiro de 2026, em torno do relançamento do projecto da *TotalEnergies* - ilustrando como decisões ligadas ao sector do gás podem influenciar as percepções de crescimento, estabilidade e trajetória fiscal do país, fenómeno amplamente descrito na literatura sobre economias dependentes de recursos naturais e ciclos de investimento extractivo. World Bank. *Mozambique Economic Update No. 9: Navigating Uncertainty* (Washington, DC: World Bank, 2023). Disponível em: <https://www.worldbank.org/en/country/mozambique/publication/mozambique-economic-update-9/>. Acedido em: 17/12/2026, às 1343hrs. / International Monetary Fund. *Republic of Mozambique: 2024 Article IV Consultation* (Washington, DC: IMF, 2024). Disponível em: <https://www.imf.org/en/Publications/CR/Issues/2024/07/12/Republic-of-Mozambique-2024-Article-IV-Consultation-Fourth-Review-551839>. Acedido em: 17/12/2025, às 1454hrs.

46 International Monetary Fund. *World Economic Outlook* (Washington, DC: IMF, 2023). Disponível em: <https://www.imf.org/en/Publications/WEQ>. Acedido em: 17/12/2025, at 1450hrs. International Monetary Fund and World Bank. *Mozambique: Debt Sustainability Analysis* (Washington, DC, 2023). Disponível em: <https://www.imf.org/external/pubs/ft/dsa/pdf/2023/dsacr2362.pdf>. Granted on: 12/20/2025, at 1203hrs.

47 International Monetary Fund. *Fiscal Monitor: How to Manage Public Investment* (Washington, DC: IMF, 2020). Disponível em: <https://www.imf.org/en/Publications/FM/Issues/2020/10/14/Fiscal-Monitor-October-2020>. Acedido em: 18/12/2025, at 1325hrs.

48 Flyvbjerg, Bent. "Survival of the Unfittest: Why the Worst Infrastructure Gets Built—and What We Can Do About It." *Oxford Review of Economic Policy* 25, no. 3 (2009): 344–367. Av Disponível em: <https://doi.org/10.1093/oxrep/grp024>. Accessed on: 21/12/2025, at 1721hrs.

49 Engel, Eduardo, Ronald Fischer, and Alexander Galetovic. *The Economics of Public-Private Partnerships* (Cambridge: Cambridge University Press, 2014). Disponível em: <https://doi.org/10.1017/CBO9781139567091>. Acedido a : 12/12/2025, at 1820hrs.

50 van der Ploeg, Frederick, and Steven Poelhekke. "Volatility and the Natural Resource Curse." *Oxford Economic Papers* 61, no. 4 (2009): 727–760. : <https://doi.org/10.1093/oxep/gpp027>. Acedido em: 18/12/2025, at 0955hrs. Experiências concretas de concessões de infra-estruturas em Moçambique ilustram como a complexidade contratual e níveis limitados de *disclosure* podem amplificar riscos fiscais e assimetrias de informação; por exemplo, a concessão do *Porto de Maputo à Maputo Port Development Company (MPDC), iniciada em 2003 e posteriormente renegociada e estendida até 2058*, evidencia a importância de mecanismos robustos de transparência, avaliação *ex ante* e monitoria contínua para mitigar passivos contingentes e distorções concorrenciais em grandes projectos (World Bank Group; Construction Sector Transparency Initiative; Public-Private Infrastructure Advisory Facility (PPIAF). *A Framework for Disclosure in Public-Private Partnership Projects*. Washington, DC: World Bank Group, 2017. <https://www.ppiaf.org/documents/5395>; International Monetary Fund (IMF) and World Bank Group. *Public-Private Partnerships Fiscal Risk Assessment Model (PFRAM): Version 2.0* (tool description). 2019; atualizado a 13 Feb 2026

51 World Bank Group. *Framework for Disclosure in Public-Private Partnership Projects* (Washington, DC, 2017). Disponível em: https://ppp.worldbank.org/sites/default/files/2022-03/FrameworkPPPDisclosure_101917_FINALFULL.pdf. Acedido em : 12/12/2025, at 1825hrs. Oation for Economic Co-operation and Development (OECD). *Principles for Public Governance of Infrastructure Investment* (Paris: OECD Publishing, 2020). Available at: <https://www.oecd.org/governance/infrastructure-investment/governance-of-infrastructure-investment/>. Acedido em : 12/12/2025, at 19210hrs

52 Engel, Eduardo, Ronald Fischer, and Alexander Galetovic. *The Economics of Public-Private Partnerships* (Cambridge: Cambridge University Press, 2014). Disponível em: <https://doi.org/10.1017/CBO9781139567091>. Acedido a : 16/12/2025, at 1829hrs

53 International Monetary Fund. *Public Investment Management Assessment (PIMA): Framework and Applications* (Washington, DC: IMF, 2015). Disponível em : <https://www.imf.org/external/np/fad/publicinvestment/pdf/PIMA.pdf>. Acedido a : 16/12/2025, at 1712hrs

54 International Monetary Fund and World Bank. *Public-Private Partnerships Fiscal Risk Assessment Model (PFRAM)* (Washington, DC, 2016). Disponível em : <https://www.imf.org/external/np/fad/publicinvestment/pdf/PFRAM.pdf>. Accessed on: 16/12/2025, at 18219hrs

4.7 Weak Exchange Rate Pressures and Reserves

Exchange rate pressures associated with relatively fragile levels of international reserves constitute a structural risk because they reduce the ability of monetary authorities to cushion external shocks, increasing exchange rate volatility and macroeconomic uncertainty⁵⁵. In open economies dependent on essential imports, such as fuel, intermediate goods and equipment, episodes of exchange rate depreciation quickly translate into imported inflation and higher production costs, compressing corporate margins and making financial planning difficult⁵⁶. For the private sector - and for SMEs that have less capacity to hedge and limited access to risk management tools - these pressures increase operating costs, reduce competitiveness, increase the risk of default, and exit from the market⁵⁷. The economic literature shows that persistent exchange rate volatility tends to reduce investment, weaken the confidence of economic agents and amplify macro-financial vulnerabilities, with long-lasting adverse effects on the performance and resilience of the private sector⁵⁸.

Likelihood: High

The likelihood of exchange rate pressures associated with relatively fragile levels of international reserves is high, reflecting the economy's exposure to recurrent external shocks, such as fluctuations in the terms of trade, volatility of capital flows and changes in export earnings⁵⁹. In open economies dependent on essential imports, reserve adequacy – often measured in months of import coverage – is a critical driver of macroeconomic resilience. In the case of Mozambique, recent evidence indicates that although reserves remain at levels sufficient to cover a few months of imports, they remain vulnerable to prolonged adverse shocks, making it plausible that episodes of exchange rate pressure will occur throughout 2026⁶⁰.

Impact: High

The impact of currency pressures and fragile reserves is high. It tends to manifest itself mainly through rising import costs, imported inflation and higher exchange rate uncertainty, with indirect effects on macroeconomic stability⁶⁴. For the private sector, exchange rate depreciation raises the costs of imported inputs, compresses corporate margins and hinders financial planning, affecting more intensely companies with lower exchange hedging capacity, such as MSMEs⁶¹. The economic literature shows that while moderate exchange rate pressures can be absorbed in the short term, recurrent episodes of exchange rate volatility tend to reduce investment, weaken confidence, and increase medium-term macro-financial risks⁶².

55 International Monetary Fund. *Fiscal Monitor: How to Manage Public Investment* (Washington, DC: IMF, 2020). Disponível em: <https://www.imf.org/en/Publications/FM/Issues/2020/10/14/Fiscal-Monitor-October-2020>. Accessed on: 14/12/2025, at 0923hrs.

56 Flyvbjerg, Bent. "Survival of the Unfittest: Why the Worst Infrastructure Gets Built—and What We Can Do About It." *Oxford Review of Economic Policy* 25, no. 3 (2009): 344–367. Disponível em: <https://doi.org/10.1093/oxrep/grp024>. Acedido em: 14/12/2025, at 1341hrs.

57 International Monetary Fund. *Assessing Reserve Adequacy* (Washington, DC: IMF, 2011). Disponível em: <https://www.imf.org/external/np/pp/eng/2011/021411.pdf>. Acedido no: 16/12/2025, at 18209hrs. International Monetary Fund. *Republic of Mozambique: Staff Report for the Article IV Consultation* (Washington, DC: IMF, 2024). Disponível em: <https://www.elibrary.imf.org/view/journals/002/2024/219/article-A005-en.xml>. Acedido as: 16/12/2025, at 1219hrs.

58 International Monetary Fund. *World Economic Outlook* (Washington, DC: IMF, 2023) Disponível em: <https://www.imf.org/en/Publications/WEO>. Acedido as: 10/01/2026, 1324hrs.

59 Ghosh, Atish R., Jonathan D. Ostry, and Mahvash S. Qureshi. "Exchange Rate Management and Crisis Susceptibility." *Journal of International Economics* 90, no. 1 (2013): 220–235. Disponível em: <https://doi.org/10.1016/j.jinteco.2012.12.003>. Acedido as: 13/01/2026, at 2010hrs.

60 International Monetary Fund. *World Economic Outlook* (Washington, DC: IMF, 2023). Disponível em: <https://www.imf.org/en/Publications/WEO>. Acedido as: 10/01/2026, at 1431hrs.

61 International Monetary Fund. *Assessing Reserve Adequacy* (Washington, DC: IMF, 2011). Available at: <https://www.imf.org/external/np/pp/eng/2011/021411.pdf>. Accessed on: 10/01/2026, at 1430hrs.

62 International Monetary Fund. *Assessing Reserve Adequacy* (Washington, DC: IMF, 2011). Available at: <https://www.imf.org/external/np/pp/eng/2011/021411.pdf>. Accessed on: 10/01/2026, at 1430hrs.

4.8 CONCLUSION

If current vulnerabilities persist, the projected growth for 2026 will not translate into inclusive economic development, but rather into the continuation of a model that penalizes MSMEs, concentrates opportunities, and amplifies systemic risks. The combination of high fiscal pressure, constrained credit, opacity in large projects, extractive dependency, exchange rate fragility, and regulatory capture creates an environment in which the private sector operates under permanent uncertainty and low predictability.

Without concrete and measurable reforms – in financing MSMEs, PPP transparency, pro-growth fiscal discipline, and regulatory governance – Mozambique will continue to absorb external shocks without the ability to turn them into productive development opportunities. For the CIP, this scenario requires immediate political action, aimed at correcting structural flaws and ensuring that economic growth effectively benefits the national private sector and Mozambican families.

Strategic Recommendations by Risk

- ✓ **High fiscal risk:** Adopt smart fiscal consolidation, protecting productive public investment and support mechanisms for MSMEs;
- ✓ **Opacity in PPPs and large projects:** Make the full disclosure of contracts, public guarantees and assessments of fiscal risk and local economic impact mandatory;
- ✓ **Credit restriction to the private sector:** Implement robust credit guarantee and public-private risk-sharing programs focused on MSMEs;
- ✓ **Dependence on extractive sectors:** Accelerate an effective strategy of productive diversification, with incentives aimed at non-extractive sectors with high potential for linkage;
- ✓ **Currency pressures and fragile reserves:** Strengthen prudent management of international reserves and policies that reduce dependence on strategic imports;
- ✓ **Regulatory capture:** Strengthen regulatory independence, decision-making transparency, and *accountability mechanisms*.

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CHAPTER V

JUSTICE AND GOOD GOVERNANCE



5. RISKS TO MONITOR TRANSPARENCY AND ANTI-CORRUPTION IN 2026

By: Baltazar Fael and Zanele Chilundo

The President of the Republic (PR), Daniel Chapo, in his inauguration/inauguration speech, announced the introduction of a set of measures aimed at promoting transparency and combating corruption. It should be noted that his predecessors had a speech along the same lines. However, corruption rates continue to rise exponentially, which causes an extremely high skepticism in society, if this is the time when there will indeed be a forceful action against the corruptive phenomenon. It is a fact that the causes of the growing number of cases of corruption are already known, and the only thing missing is the action of those who should be at the forefront of combating this phenomenon, through the production of concrete measures and above all their implementation.

The rise in corruption cases was evidenced through a press conference held by the Central Anti-Corruption Office (GCCC), on February 24 of this year, where it was announced that in 2025 2169 cases were processed, compared to 2000, in 2024, which represents an increase of 169 cases. In other words, although he deserves the benefit of the doubt, Daniel Chapo has already had two setbacks in his governance in a single year, namely: the rise in corruption cases and the drop in Transparency International's Corruption Perceptions Index by 4 points compared to 2024.

5.1 ANALYSIS OF THE IMPLEMENTATION OF THE ANTI-CORRUPTION ACTIONS ANNOUNCED BY DANIEL CHAPO IN HER INAUGURATION SPEECH

In the analysis of the risks of corruption last year, specifically with regard to the inaugural speech of the current head of state, Daniel Chapo, we refer to his intention to create a General Inspectorate of the State (IGE) to, among other purposes, combat corruption in the Public Administration (PA). This promise has already been fulfilled, given that in December 2025, the Assembly of the Republic (AR) approved the draft law that creates IGE⁶³. The step that must be followed is the entry into operation of this body and the appointment of the holder. It should be noted that the effectiveness of the IGE also lies in the way in which the selection of the body's top leader will be made.

Given that the President said in his inauguration speech that the IGE would be an independent body, the way to appoint its top leader should be through public competition. The risk of the appointment happening through a political process has to do with the possibility of capture of the IGE by the Executive, through the elites of the ruling Frelimo party, who control the affairs of the state⁶⁴. Complying with Law No. 1/2026, of 20 January, in paragraph 1 of article 21⁶⁵, which creates the IGE, it is observed that the one who appoints the Inspector-General of the State is the PR, without a public tender, which gives political charge to this body and the aforementioned possibility of him being captured.

Another aspect mentioned in Chapo's inaugural speech is the acceleration of the digitalization of public services, to make it more difficult to commit acts of corruption. However, the intention of full digitization of PA is not new. The Public Administration Reform and Development Strategy (ERDAP 2011 – 2025) already provided for the digitalization of the PA when referring to technological modernization and innovation in the transversal component - A⁶⁶. While some actions have already been taken towards the digitalization and modernisation of the PA to promote transparency and fight/control corruption, such as the creation of the e-GP platform to manage public procurement processes or the creation of the digital payment service to the State and the single platform for State services, Other additional measures should be implemented.

The risk that exists is medium high, given that the objectives of the digitization of the PA, which are to combat corruption, may not be achieved because of the human factor. The technical team that will operate the SeS systems should be selected from among upstanding public servants who have already demonstrated high levels of probity in the PA. For example, regarding the e-Sistafae, an older system, what has been observed is that this electronic payment platform has always been manipulated. This led to the revision of Law 9/2002, of 12 February, which creates the State Financial Administration System (SISTAFE), the repealing law,

63 O País (12, 2025). AR approves law that creates the General Inspectorate of the State, <https://opais.co.mz/ar-aprova-lei-que-cria-inspeccao-geral-do-estado/>, accessed on 01/15/2026 at 03:23 PM

64 Mozambique Channel (4, 2025). Frelimo ruined the country with privatizations of companies in a clientelist and corrupt way, <https://canal.co.mz/2025/04/14/frelimo-arruinou-o-pais-com-privatizacoes-de-empresas-de-forma-clientelista-e-corrupta/>, accessed on 14/01/2026 at 10:30 am

65 Official Gazette (BR) No. 12 – Series I, of 20 January 2026

66 Public Administration Reform and Development Strategy (2011-2025), Approved by the Council of Ministers at its 29th Ordinary Session, of August 14, 2012, accessed on 01/14/2026 at 12:03 pm

specifically Law No. 14/2020, of 23 December, to provide for sanctions for State employees and agents who did not comply with the established rules and procedures⁶⁷.

5.2 OTHER ACTIONS AIMED AT COMBATING CORRUPTION IN THE CURRENT GOVERNANCE CYCLE (2025 – 2029)

Also in fighting corruption, but outside the promises of the PR, in 2025 the National Conference on Combating Corruption was held⁶⁸. This conference, in which the Head of State participated, demonstrating his government's commitment to fighting corruption, the Maputo Declaration was produced with a series of measures to combat corruption in various sectors of the PA. However, the risk that the measures contained in the declaration will not be implemented is high.

For the measures contained in the declaration to be implemented, an action plan must be produced to ensure that the declaration is implemented, which has not yet happened. But it should be noted that the Strategy for Preventing and Combating Corruption in Public Administration - EPCCAP (2023-2032) is in the implementation phase. This situation may lead to two anti-corruption plans in the country, which may lead to the need to define which of the two should be prioritized in their implementation. This may lead to privileging one or the other, not least because there may be coinciding measures in the EPCCAP and in the Maputo declaration. In other words, there are two plans to fight corruption, which can divert the focus from priorities, constituting a high risk of non-implementation of one of the plans.

In 2025 Mozambique was removed from the Financial Action Task Force (FATF) grey list, where it had been integrated in 2022. The challenge for the coming years is to implement the action plan that the country has agreed to keep off the grey list. The risk that exists of the country being reintegrated into the FATF grey list is real, hence the authorities have already identified this risk and are working to mitigate its occurrence. In fact, as stated by the Minister of Finance Carla Louveira when the official announcement of Mozambique's departure from the FATF Grey List, the challenge that exists in the post- exit period is that of sustainability⁶⁹. In other words, the country must in the short term create an action plan to ensure sustainability outside the grey list. But, above all, this action plan must be implemented and monitored, since the country will be evaluated again in 2027⁷⁰, which means that it is still under scrutiny.

It should be noted that in 2025 the National Criminal Investigation Service (SERNIC), by law⁷⁵, became the superintendence of the Attorney General of the Republic (PGR).⁷¹ In its powers of oversight, among others, the PGR has the competence to issue directives. The risk is that issues of misconduct that are the prerogative of SERNIC agents will continue to prevail and may even disobey the directives and not comply with the recommendations of the PGR. In fact, the PGR harshly criticized the performance of the members of SERNIC, emphasizing that it ends up tarnishing the image of the institution⁷². However, for the PGR's superintendence to be effective, it is necessary that the law that creates SERNIC, recently revised in 2025⁷³, be regulated. Among several aspects to be regulated, the attribution of disciplinary competence to the PGR over SERNIC agents who occupy management and leadership positions stands out, when the infractions correspond to the penalties of dismissal and expulsion.

The attribution of disciplinary power in the manner would strengthen the authority of the PGR with SERNIC agents and could force their obedience to its directives and recommendations, thus controlling acts of misconduct and human rights abuses against men and women, as has been reported⁷⁴. Without the attribution of disciplinary power to the PGR over the SERNIC agents referred to, there is a high risk of disobedience to the instructions and recommendations issued by it. In fact, a step towards disobedience was already taken when the Minister of the Interior Paulo Chachine said that the PGR's superintendence over SERNIC was only on paper⁷⁵.

67 <https://www.cedsif.gov.mz/cedsisportal/sistafe/>

68 <https://www.pgr.gov.mz/conferencia-nacional-sobre-combate-a-corrupcao/>, accessed on 01/14/2026 at 14:00

69 <https://aimnews.org/2025/10/25/mocambique-volta-a-avaliacao-do-gafi-em-2027/>, accessed on 01/14/2026 at 03:10 pm.

70 Law No. 5/2025, of 13 June

71 Cf. Article 5 of Law No. 5/2025

72 <https://www.facebook.com/miramartv.mz/posts/procurador-geral-da-rep%C3%BAblica-reconhece-exist%C3%Aancia-de-agentes-do-sermic-com-cond/1220925466730030/>

73 Law No. 5/2025: Regarding the revision of Law No. 2/2017, of 9 January, which creates the National Criminal Investigation Service, abbreviated as SERNIC.

74 <https://cddmoz.org/wp-content/uploads/2020/07/SERNICs-Defensive-Statement-Raises-More-Questions-Than-Answers-Amid-Allegations-of-Human-Rights-Violations.pdf>

75 <https://cddmoz.org/wp-content/uploads/2020/07/SERNICs-Defensive-Statement-Raises-More-Questions-Than-Answers-Amid-Allegations-of-Human-Rights-Violations.pdf>

5.3 CONTROL MECHANISMS MUST BE IN PLACE TO PREVENT FRAUD AND CORRUPTION IN THE MANAGEMENT OF DISASTER RESOURCES

Mozambique has been plagued by severe weather phenomena on a cyclical basis. To mitigate the effects caused by such phenomena, the Government has been mobilizing funds and has also received donations from various countries and entities. This year, the World Bank (WB) has donated US\$20 million to finance the emergency response caused by the heavy rains and floods that are plaguing the country⁷⁶. The WB has donated, also for the short and medium term, about US\$450 million to support economic, social, and humanitarian recovery for the period 2026 to 2031⁷⁷. The United States of America donated 1 million dollars, also intended for emergency aid⁷⁸, and Switzerland, for the same reason, donated 1.1 million francs (about 1.2 million euros),⁷⁹ among other donations that were made. The question that arises is whether mechanisms have been created to control/supervise the use of the financial resources donated and mobilized to deal with the consequences arising from severe climatic events?

It is known that the resources to deal with severe weather events do not traditionally come from the General State Budget, so they are called “off budget”. In this sense, Mozambique should already have a system for controlling extraordinary financial resources different from what happens with the e-Sistefe platform. There is a real risk that these donated and mobilized financial resources will be diverted through fraudulent methods and corruption, as happened, for example, with the extraordinary funds intended to face the Covid-19 pandemic⁸⁰ in which an audit by the Administrative Court (TA) detected, a posteriori, the disappearance of financial resources.

In the case of “off-budget” resources intended for adverse climatic events, it is essential that there is monitoring of their use and the production of periodic and detailed reports on the origin, allocation and use, ensuring that the financing follows a clear and predictable regulatory mechanism and that there is no waiting for TA audits at the end of the process, which only serves to detect the occurrence of such cases and not to recover the embezzled funds. In a December 2017 report, the difficulty of monitoring off-farm resources destined for calamities was already highlighted⁸¹. After the lapse of time, it is legitimate to question whether the Government has a plan to monitor the use of these financial resources. The funds donated and mobilized to deal with the consequences of severe weather events are of an exceptional nature. It is required that mechanisms be created to control its use and to render accounts that are also exceptional. Therefore, due to the source of origin of this type of funds, traditional control mechanisms are not effective in monitoring their use with the required rigor, so that they are intended for their exclusive purpose.

In the absence of exceptional mechanisms for control/supervision of resources for the emergency, there is a high risk of fraud and corruption involving public servants working in aid institutions. In fact, what is happening due to the high level of distrust in the allocation of financial resources is that not all aid is being channeled through the National Institute for Disaster Management.

5.4 POLITICALLY-PARTY-MOTIVATED NON-EXECUTIVE DIRECTOR APPOINTMENTS SHOULD BE ELIMINATED

The former prime minister and now deceased Luísa Diogo met some people by surprise when it was disclosed that she was a member of the Board of Directors of Total Energies in Mozambique⁸². One of the reasons that leads politicians to be harassed to be part of the “board” of multinational companies, commercial banks, public companies, and state-owned companies is the ease with which such figures can influence political power to make some concessions or overcome obstacles in favor of such entities.

However, it is also observed that figures from the political-party sphere are appointed to exercise the function of non-executive directors in the state-owned business sector, state-owned companies, and public institutes, without there being known criteria for their appointment. The figure of non-executive director has no legal consecration that can define its importance, necessity, and relevance.

76 <https://miramar.co.mz/noticias/economia/banco-mundial-desembolsa-20-milhoes-de-dolares-para-assistencia-humanitaria-em-mocambique-29-01-2026-66879>

77 <https://aimnews.org/2026/01/24/banco-mundial-aprova-450-milhoes-de-dolares-para-mocambique/>

78 <https://www.diarioeconomico.co.mz/2026/02/04/economia/eua-anunciam-1-m-em-apoio-de-emergencia-as-cheias-em-mocambique/>

79 https://www.rtp.pt/noticias/mundo/suica-apoia-populacao-afetada-pelas-cheias-no-sul-de-mocambique-com-de-12-milhoes-de-euros_n1714907

80 <https://www.rm.co.mz/covid-19-auditoria-detecta-desvio-nos-fundos-em-2021/>

81 Financial Protection against Disasters in Mozambique (12, 2017),

82 <https://amalities.africa/about-4/luisa-dias-diogo/>

In the current governance cycle, since President Daniel Francisco Chapo says that he wants to do things differently to achieve different results, we think that one of his priorities should be the legal definition of the figure of non-executive director and the need to highlight its importance and the criteria followed for its appointment/nomination. In an interview with the weekly Savana, the director of the Institute for the Management of State Holdings (IGEPE), Raimundo Matule said that non-executive directors are impartial scouts on the decisions that executives make⁸³. To avoid the excessive political charge for his nomination, which means “frelimization” of that position, he said that there are administrators from other parties. However, he only referred to one who is part of the Renamo party and said there are more, without naming them.

Therefore, in addition to the politicization of the position of non-executive director, there is the issue of the lack of transparency in the appointment of these figures. The IGEPE is at the mercy of the influence of the ruling party, Frelimo, to appoint non-executive directors, in a situation where there is a tenuous barrier between the State, its institutions and the party in power.

The fact that there are members of other parties in public companies occupying the position of non-executive directors, as Matule alleges (indicating only one who is no longer one), is a maneuver to avoid criticism and try to remove the party-political connotations in the appointment of this figure.

Therefore, it is necessary to revise the Public Manager Statute to enshrine the figure of non-executive director. Then, it is necessary that these directors be evaluated to find out if they actually contribute value to the performance of the entities to which they are appointed, so that they are not just body figures present at the meetings of entities of the State business sector and public institutes.

In this regard, Paulo Macedo, executive president of Caixa Geral de Depósitos de Portugal, said that to be sure about the performance of non-executive directors it is necessary to evaluate their performance or have other feedback⁸⁴. In other words, in practical terms, it is necessary to know what these non-executive directors add to the quality of governance of the entities where they provide their activity, in a scenario in which the State’s business sector presents flagrant cases of mismanagement and that it is not even able to generate dividends for the State, constituting a loss for public accounts and generating increased fiscal risk.

There is a high risk that in this governance cycle the same pattern of appointing figures to the position of managers of the State business sector based on party-political criteria will continue, especially non-executive directors. It is recommended that both for the appointment of non-executive and executive directors, the rule of public competition be followed to reduce/reduce the political-party burden of the appointments.

5.5 CONCLUSION

The fight against corruption in Mozambique is still a difficult challenge to overcome in all its spheres. Although there is an effort to introduce new measures to combat it, in practice there are still no encouraging results that show that the country, in the short and medium term, will be able to control the corruptive phenomenon.

In the current cycle of governance, the current President of the Republic, Daniel Chapo, has placed emphasis on the fight against corruption, saying, in his inauguration speech, that he would be intolerant of deviant practices and promising to implement a series of measures to this end, especially of an institutional nature. However, the past shows that his predecessors had the same discourse, but in practice they failed to weaken corruption. What failed? In practical terms, what can be said is that what has failed is the implementation of the measures that have been created. In other words, there has been an effort to create measures to combat corruption, at all levels, but in practice there are obstacles to their implementation.

This situation shows that the country, under the leadership of Daniel Chapo, must not only create measures to combat corruption, but also the President of the Republic must monitor their implementation through the bodies and institutions of the PA and the judiciary, thus monitoring the achievement of satisfactory results in the control of corruption.

83 Savana Newspaper (2, 2026), The Comrades’ Pot, Year XXXI, No. 1674, pages 2 and 3.

84 Paulo Macedo highlights the importance of non-executives in companies – CEO Discussions, <https://www.apd.pt/paulo-macedo-realca-a-importancia-dos-nao-executivos-nas-empresas-ceo-discussions/>, accessed on February 11, 2026

Recommendations:

For the AP:

- The Inspector General of the State must be appointed by public tender to guarantee the independence of the IGE and avoid its capture by the elites of the Frelimo party, who control the affairs of the State;
- The digitalization of public services must be accompanied by a selection of upstanding public servants to operate the system and prevent fraud in its operation.

To the Attorney General's Office:

- It must produce a clear action plan that ensures the implementation of the Maputo Declaration to combat corruption, assumed at the National Conference on Combating Corruption in 2025;
- It should ensure coordination between the Maputo Declaration and the action plan of the Strategy for Preventing and Combating Corruption in Public Administration - EPCCAP (2023-2032) being implemented;

To the Ministry of Finance, the Public Prosecutor's Office, and the Bank of Mozambique:

- Create an action plan to ensure sustainability outside the grey list and under clear monitoring criteria, as the country will be reassessed in 2027.

To the Public Prosecutor's Office and SERNIC:

- Regulate the law that creates SERNIC, attributing disciplinary power to the PGR over SERNIC agents who occupy management and leadership positions, ensuring respect in compliance with the instructions and recommendations issued by the superintendent body (PGR)

For IGEPE

- The legislation must provide for the figure of the non-executive director and clearly define his role in companies and public institutes, so that he is no longer an undefined figure, as is currently the case;
- Executive and non-executive directors must be selected by means of an open competition, to guarantee their independence;
- There must be criteria for evaluating the performance of non-executive directors to assess the advantages they bring to the entities for which they perform their duties.

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CHAPTER VI

INTEGRITY IN POLITICS



6. POLITICAL INTEGRITY RISKS

By: Lázaro Mabunda

Mozambican democracy has been in decline⁸⁵ since 2012⁸⁶. Over the last decade, there has been a progressive increase in the levels of authoritarianism⁸⁷ and political intolerance, leading Mozambique to be classified as an authoritarian regime and included among the 45 countries in the process of autocratization⁸⁸.

According to the V-Dem Institute (2025),⁸⁹ Mozambique is part of the group of autocratic countries with recent negative performance, alongside Bangladesh, Russia, and Togo. It was placed, as of 2024, on an autocratisation watch list.

Likewise, the International IDEA democratic index points to a significant decline, with Mozambique moving from intermediate to low performance between 2022 and 2024⁹⁰.

The October 2024 elections contributed decisively to this setback, having been marked by allegations of inflated voter registration; ballot box stuffing; irregularities in the counting and tabulation and; weaknesses in the management of complaints and resources

The post-election period was characterized by heavy violence, including the use of live ammunition by police against protesters, resulting in the deaths of more than 400 citizens⁹¹.

6.1 ETHICS, INTEGRITY, AND CRISIS OF TRUST

The literature on political ethics demonstrates that democracy depends on trust between citizens and representatives. Without minimal institutional trust, the legitimacy of the political system weakens⁹².

Mozambique has low levels of institutional trust. This crisis results largely from the excessive partisanship of State institutions, which assume neopatrimonialism traits and fail to respond effectively to social demands.

According to Sousa and Coroado (2022),⁹³the absence of ethics and integrity generates a vicious cycle:

- *Insiders* tend to tolerate institutional and parochial corruption;
- *Outsiders* show a greater predisposition to accept practices associated with market corruption.

The reputation of institutional integrity is determinant: the higher the internal standards, the more likely individual ethical behavior is.

6.2 FRELIMO'S POLITICAL COMMISSION AS A STRUCTURAL RISK: HOW THE CONCENTRATION OF PARTY POWER CAN CONDITION THE AUTONOMY OF THE EXECUTIVE'S GOVERNMENTAL ACTION

Frelimo statutes (article 76) assign to the Political Commission (CP) the function of guiding the party between sessions of the Central Committee. Among its competencies are:

- i. pronounce on the composition of the Government;
- ii. coordinate and guide the action of the parliamentary bench;
- iii. to assess Government reports.

85 2012 was the year marked by the contraction of hidden debts, the resumption of the political-military conflict between Renamo and government forces and the emergence or creation of G-40, a group of government supporters who were supposed to lead and coordinate propaganda and counter-information actions in favor of the government.

86 Economist Intelligence Unit (2013). https://siyosat.wordpress.com/wp-content/uploads/2014/10/democracy_index_2013_web-2.pdf (accessed January 15, 2026).

87 Economist Intelligence Unit (2025). Democracy Index 2024: What's wrong with representative democracy? Accessible in <https://static.poder360.com.br/2025/03/the-economist-democracia-.pdf> (accessed January 15, 2026).

88 Economist Intelligence Unit (2025). Democracy Index 2024: What's wrong with representative democracy? Accessible in <https://static.poder360.com.br/2025/03/the-economist-democracia-.pdf> (accessed January 15, 2026).

89 Autocratization surveillance refers to the systematic monitoring of signs that indicate the gradual erosion of democracy and the concentration of power in the hands of the executive or a political leader, even when formal institutions continue to exist.

90 International IDEA (2025). The Global State of Democracy 2025: Democracy on the Move. Available at <https://www.idea.int/sites/default/files/2025-09/global-state-of-democracy-2025-democracy-on-the-move.pdf> (Accessed January 15, 2026).

91 Dw (2025, October 21). Post-election demonstrations caused 411 deaths. Available at <https://www.dw.com/pt-002/manifesta%C3%A7%C3%B5es-p%C3%B3s-eleitorais-provocaram-411-mortes-a-74435946> (Accessed January 15, 2026).

92 Sousa, Luís and Coroado, Suzana (2022). Ethics and Integrity in Politics. Lisbon: Francisco Manuel dos Santos Foundation. Available at https://ffms.pt/sites/default/files/2022-11/RESUMO_Etica_WEB_AF_0.pdf (accessed January 17, 2026).

93 Sousa, Luís and Coroado, Suzana (2022). Ethics and Integrity in Politics. Available at https://ffms.pt/sites/default/files/2022-11/RESUMO_Etica_WEB_AF_0.pdf (accessed January 17, 2026)

According to the statutes, CP is responsible for coordinating and guiding the actions, not only of the Frelimo parliamentary bench, but also of the Government, which means that all decisions that the Government intends to take must go through this body for its consideration and approval. This reveals its supremacy over the Government. It also means that there is no structuring decision that the Government can take without going through this body, now composed of 20 members, of which 15 were elected in Congress (see the table below) and the remaining five are part of the body by virtue of the statutes, namely the President of Frelimo, Daniel Chapo; the secretary general, Shakil Aboobakar; the secretary of the Verification Committee; the head of the party's parliamentary bench, Feliz Silva, and the prime minister, Benvinda Levi.

In practice, CP exerts direct influence over the Executive, configuring an overlap between party and State. This institutional symbiosis represents one of the main risks to Daniel Chapo's governance for 2026.

There are structural problems identified as: i) the high continuity of members in CP for more than 20 years; ii) application of the principle of "Renewal and Continuity" (60% continuity); iii) strong presence of historical elites with consolidated power and iv) the ability to informally block government decisions.

As can be seen, a considerable part of the 15 elected members that make up the current Political Commission are elderly – they are over 60 years old. Eneas Comiche and Alberto Chipande are close to 90 years old and already showing serious mobility difficulties, which forces them to resort to auxiliary means (wheelchairs) for their movements. Celso Correia is the youngest of all – he turns 48.

Table 1. Longest-serving members of the Frelimo Political Commission (2002–2022) and composition of the new Political Commission 2022–2027

Names	Age (2026)	2002-2007	2007-2012	2012 - 2017	2017 - 2022	2022 - 2027
Alberto Chipande	87	✓	✓	✓	✓	✓
Eneas Comiche	87	✓	✓	✓	✓	✓
Alcinda de Abreu	73	✓	✓	✓	✓	✓
Filipe Paunde	81	✓	✓	✓	✓	✓
Verónica Macamo	68	✓	✓	✓	✓	✓
Margarida Talapa	64	✓	✓	✓	✓	✓
Eduardo Mulémbwe	> 65	✓	✓	✓	✓	✗
Raimundo Pachinuapa	88	✓	✓	✓	✓	✗
Sérgio Pantie	> 50	✓	✓	✓	✓	✗
Conceita Sortuane	67	✓	✓	✓	✓	✗
Tomaz Salomão	72	✗	✗	✗	✓	✓
Nyeleti Mondlane	64	✗	✗	✗	✓	✓
Anna Comoana	66	✗	✗	✗	✗	✓
Daniel José	> 50	✗	✗	✗	✗	✓
Francisco Mucanheia	> 50	✗	✗	✗	✗	✓
Celso Correia	48	✗	✗	✗	✗	✓
Amélia Muendane	61	✗	✗	✗	✗	✓
Hope Bias	68	✗	✗	✗	✗	✓
Aires Ali	71	✗	✗	✗	✗	✓

6.3 TABLE PREPARED BY THE AUTHOR BASED ON DATA FROM THE FRELIMO POLITICAL COMMISSION

Six (representing 40%) of the 15 elected at the 12th Congress have been on the Political Commission since the 7th Congress of the Frelimo party, held in 2002 (see table above), by virtue of article 29 of the statutes which establishes the principle of "Renewal and Continuity".⁹⁴ They moved from CP during the periods of Alberto Chissano, Armando Guebuza and Filipe Nyusi, and now remain in leadership under Daniel Chapo, which shows a significant continuity of staff within the body throughout different governance cycles. Under this article, the party's electoral directive determines that a further 60% of the members in the party's organs must be of continuity and about 40% must be of renewal. This measure is seen as conservative, aiming to control power by limiting the entry of new members, especially new generation.

Between the last CP of Joaquim Chissano (2002-2007) and the one elected under the leadership of Filipe Nyusi at the XI Frelimo Congress (2017-2022), the historical continuity rate (it was 66.6%) reflected a stable core of about 10 members who successively renewed mandates. However, Nyusi broke this cycle of immobility by removing influential figures from previous wings, promoting the rise of a group of technocrats and trusted allies.

Among the new faces are Esperança Bias, Francisco Mucanheia, Celso Correia, Amélia Muendane, Ana Comoana and Damião José,

There seems to be a willingness on the part of the current President and his respective secretary-general of the party to reduce the conservative tendency of this device. According to the newspaper *Evidências*, the new leaders of the party propose 50% for both continuity and renewal, which is generating "a moment of great internal debate".⁹⁵

In concrete terms, real power tends to reside in the party, and not exclusively in the government⁹⁶. On this aspect, Filipe Paúnde, at the time, secretary general of Frelimo, said in an interview with the newspaper *O País*, in August 2012, that "the party is the one that guides the Government. (...) The President (of the Republic) will receive instructions from the Political Commission; he will implement them in the Presidency (of the Republic)."⁹⁷

In this context, the success of Daniel Chapo's governance will involve reducing the influence and ability of the CP of the Frelimo party to informally block government decisions.

Last December, for example, the President of the Republic, Daniel Chapo, announced the launch, in Maputo, of a "set of priority and structuring reforms, as part of a phased and continuous process of modernization of the State Apparatus".

The decision would be postponed on the grounds that the event coincided with the funeral ceremonies of Feliciano Gundana, one of the founders of Frelimo, who had died a day before (December 9) the announcement of the date for the launch of the reform package for the 12th, Friday⁹⁸. The announcement of the launch of reforms, the day after Gundana's death, was not an oversight. According to a senior member of the Frelimo Central Committee, the Government even intended to launch the reform package, however the package had not yet been considered by the Political Commission. Two months have passed (until the closing of this article, end of February) and the package remains unlaunched.

Structural reforms of the State Apparatus could affect the future of power and finances of the Frelimo party and its elites that feed on the State they control, including its human resources.

How can political control affect gender?

Although there is a female presence in the Political Commission (Verónica Macamo, Margarida Talapa, Esperança Bias), the dominant pattern continues to be based on a strong continuity of historical leaderships; verticalized political culture; decision-making concentrated in restricted circles.

Highly closed political structures tend to reproduce:

- traditional hierarchies of power;

⁹⁴ Under Article 29, the constitution of the Party organs is governed by the principles of continuity and qualitative and quantitative renewal, under the terms to be defined in the electoral directive.

⁹⁵ Evidence (2025, February 3). Proposal of 50% renewal and 50% continuity divides opinions among comrades. Available in <https://evidencias.co.mz/2026/02/03/proposta-de-50-renovacao-e-50-continuidade-divide-opinioes-entre-os-camaradas/>

⁹⁶ *O País* (2012, August 6). The (supreme) powers of the President of Frelimo. Available in <http://debatedevaneios.blogspot.com/2012/08/> (accessible February 10, 2026).

⁹⁷ *O País* (2012, August 6). What is wrong with Guebuza's re-candidacy for the presidency of the party? Available in http://jorgejairoce.blogspot.com/2012/08/o-que-ha-de-errado-na-recandidatura-de_24.html (accessible February 10, 2026).

⁹⁸ *Mznews* (2025, December 11). President presents tomorrow the First Package of Structural Reforms. Available at <https://mznews.co.mz/pr-apresenta-amanha-primeiro-pacote-de-reformas-estruturais/> (accessed February 3, 2026).

- informal exclusion practices;
- unequal access to strategic resources.

Even when there are women in the agency, this does not necessarily mean structural transformation. Descriptive representation can occur, but not substantive representation (i.e., presence without actual change in the agenda).

In short, in contexts of strong party centralization there is a risk of:

- a) symbolic use of the gender agenda for external legitimation;
- b) selective promotion of women aligned with the ruling elite;
- c) absence of plural debate on women's rights.

This situation weakens women's autonomy within the party itself and the state.

Risk mitigation measures

If real power continues to be excessively concentrated in Frelimo's CP, the risk for 2026 may not only be a delay in reforms, but an erosion of government legitimacy.

Mitigation requires:

- a. Progressive functional separation between party and state;
- b. Effective internal renovation and reduction of blocking power.

Without these measures, structural reforms that affect power networks and party financing will tend to face systemic resistance.

6.4 RISK OF HIJACKING PENSIONS

The post-election demonstrations of 2024 have pushed the agenda of structural reforms, including electoral legislation. The decision to introduce reforms was an initiative of the Government, at the suggestion of the Council of State at the height of the demonstrations. If the initiative was from the Council of State, later taken over by the Government, it is reasonable to infer that the proposal originated from the Frelimo party, which felt it had no popular support.

In this context, ongoing reform proposals will eventually, as usual, must go through Frelimo's CP for informal approval before being formally approved by the Government and then submitted to parliament for debate and final approval.

However, the parliamentary benches do not have the political autonomy to approve the documents without interference from their parties, which may mean that the final decision will reflect the party's interest in the parliamentary majority⁹⁹. In other words, given the political control exercised by the dominant party over the state, there is a high risk of capture of these reforms by the party elite.



⁹⁹ Macuácu, Edson (2023). Riscos do Sistema Político Moçambicano. Maputo: Editora Escolar.

The success of the reforms will depend on the ability to reduce internal party blockages. Without this, the government will be insufficient for the success of the planned reforms.

Gender dimension in institutional reforms

The separation of head of state and party leadership can have a positive impact on gender equality:

- reduction of masculinized patronage networks;
- greater openness to technical criteria;
- strengthening international commitments on equality;
- Reduction of internal conservative blocks.

Without this separation, the reproduction of male elites could perpetuate structural inequalities.

Mitigation measures

A possible structural measure would be the constitutional revision that clearly prohibits the President of the Republic from accumulating party leadership, reinforcing:

- institutional neutrality;
- separation between party and state;
- governmental autonomy.

6.5 RISKS OF SOCIAL AND POLITICAL INSTABILITY AND ANAMOLA'S ABILITY TO MOBILIZE

The economic crisis, growing unemployment and the closure of companies increase the risk of social unrest. Recently, Mozal announced that it will lay off more than 1000 workers, which will affect thousands of families, not only of this multinational, but also of a chain of more than 3 thousand national and international suppliers, some installed in the Industrial Park of Belulane. In concrete terms, it is estimated that there are about 5,200 direct jobs and more than 33,000 indirect jobs. Mozal represents about 30% of national exports, with annual revenues of more than US\$1.1 billion¹⁰⁰, which puts at risk about 3% of the national GDP¹⁰⁷.

The financial crisis resulting in unemployment exacerbates the erosion of citizens' trust in the government, which is unable to address their concerns. Where there is no trust, there is a high risk of conflict. There are other factors that may contribute to the increase in the corrosion of citizens' trust in the Government and State institutions, increasing the risks of public challenge to the institutions, namely:

- a. corruption;
- b. influence peddling;
- c. clientelism;
- d. conflicts of interest;
- e. lack of transparency.

These factors tend to favor the affirmation of charismatic leaderships within political parties, as occurs with Anamola, facilitating the mobilization of citizens to contest the government in office. If last year Venâncio Mondlane acted without the support of a formal party structure, the current context is different. He leads Anamola, a party he created, which gives him greater organizational capacity, political framing, and legitimacy with his supporters.

In contexts of social crisis and erosion of trust in institutions, Anamola, under the leadership of Venâncio Mondlane, can constitute a potential risk factor for governance, as it has a structured capacity for popular mobilization to contest public policies and government decisions. Such a scenario reinforces the need for institutional mechanisms for permanent and inclusive dialogue between the Government and the actors involved in the 2025/2026 demonstrations, to prevent the escalation of tensions and promote sustainable political solutions.

¹⁰⁰ CTA (2025, September 1). The situation of Mozal and its impact on the national economy: CTA considers it inadmissible and only the reintegration of the affected companies. Available at <https://cta.org.mz/2025/09/01/situacao-da-mozal-e-seu-impacto-na-economia-nacional-cta-considera-inadmissivel-e-apela-a-reintegracao-das-empresas-afectadas/> (accessed February 6, 2026).

How does this affect gender?

The relationship between corruption, economic crisis and the erosion of institutional trust has different impacts on men and women. In contexts such as Mozambique — marked by rising unemployment, institutional fragility, and reliance on megaprojects like Mozal gender effects tend to be profound and structural. These factors push thousands of citizens into the precarious, female-dominated informal economy, in addition to greater exposure to vulnerable livelihood practices.

Many women depend on male income for family support and mass layoffs increase food insecurity, which affects more women, children, and the elderly. In rural contexts, it forces girls to marry children and drop out of school.

The struggle for survival limits women's political participation and economic autonomy.

In contexts of corruption, influence peddling, clientelism and lack of transparency, *sextortion emerges*. Women and young people may be more vulnerable to accepting sexual favors in exchange for employment, access to services, or benefits.

Clientelist networks tend to favor male circles of power and women, especially young and poor, are excluded from formal opportunities.

In a context of citizens' distrust of public institutions, women tend to distance themselves from formal participation.

Mitigation Measures:

- **Strengthening Ethics and Culture:** commitment of political leadership to high ethical standards, promoting a culture of integrity from the top.
- **Transparency and Scrutiny:** increase the visibility of decisions, income and interests, control the influence of interest groups within the party and outside it.
- **Regulation and enforcement:** Create and enforce strict laws with proportionate penalties and adequately resourced enforcement agencies.
- **Compliance:** implement integrity programs with codes of conduct, risk mapping, and fraud prevention.
- Extension of permanent and inclusive dialogue to all actors involved in the 2025/2026 demonstrations, including Anamola.

In contexts of institutional opacity, the risk of practices such as sextortion and exclusion of women from formal networks of power increases.

6.6 INFIGHTING IN RENAMO AND THE RESURGENCE OF NAPARAMAS

The internal disintegration of Renamo, a party with a military origin and history, constitutes a risk, albeit a low one, for governance, as its leadership may lose effective control over former combatants who continue to reside in deactivated bases. The fragility of the chain of command increases the possibility of the emergence of dissident military leaderships capable of mobilizing men and means for an eventual return to armed conflict, like what happened with Mariano Nhongo.

Parallel to the internal tensions in Renamo, there is a resurgence of the Naparamas in the provinces of Zambezia and Nampula. During the post-election demonstrations, these groups conducted several actions against state institutions in several districts. In the district of Morrumbala, for example, they assaulted a police station, seized seven firearms, and murdered a former member of the local forces and Frelimo militant, known as "Bóer".¹⁰¹

Over the past year, government forces have launched pursuit operations against the Naparamas, resulting in the deaths of several of their members inside Morrumbala and the recovery of stolen weapons. According to a military source involved in the operation, the group came to exercise effective control over much of the district, except for the district headquarters, and is regrouped in former Renamo bases¹⁰².

Although formally inactive, these former bases maintain strategic and symbolic relevance, which reinforces the risk that they could be reactivated by dissident elements for the purposes of armed mobilization and political destabilization. This scenario highlights the need for continuous monitoring, effective reintegration of ex-combatants and strengthening of control mechanisms and political dialogue, to prevent the escalation of new outbreaks of violence.

¹⁰¹ DW (2025, February 13). Naparamas in Mozambique: Between mysticism and popular struggle. Available at <https://www.dw.com/pt-002/a-hist%C3%B3ria-dos-naparamas-em-mo%C3%A7ambique-entre-o-misticismo-e-a-luta-popular/a-71590667> (accessed February 25, 2026).

¹⁰² Military interviewed on October 18, 2025.

Vulnerability of women and children

In contexts of armed instability, women tend to face greater exposure to gender-based violence, forced displacement, and loss of livelihoods. When men become involved in armed groups, they flee or are killed. Women are now alone to assume the head of the household. This increases the burden of unpaid work, reduces income opportunities, and reinforces cycles of poverty, especially in rural areas.

In short, political-military instability tends to deepen structural inequalities, increase female vulnerability, and instrumentalize young men. Therefore, any mitigation strategy must integrate a gender-sensitive approach, including specific protection, community-focused reintegration of ex-combatants, and women's active participation in peace and governance processes.

6.7 CONFLICT IN CABO DELGADO

For the 9th consecutive year, Mozambique is facing terrorist attacks that have already resulted in thousands of deaths and displacement. It is estimated that there are more than one million internally displaced because of the insurgency, many concentrated in safer districts of the province and other regions of the north.

The prevalence of terrorist attacks in Cabo Delgado poses severe risks to governance, resulting in the paralysis of public services, destruction of infrastructure and displacement of more than one million people, which weakens the authority of the State. It drastically impacts on the local economy with considerable losses in tax collection, due to the reduction of commercial activity in several districts. A study by the CTA shows that since the beginning of the insurgency, Cabo Delgado province has lost, by 2022, 55.8 thousand jobs, as a result of the closure of 410 companies¹⁰³.

Continued terrorist attacks could result in:

- i. Collapse of state authority and suspension of activities of public services and humanitarian organizations in several areas, which will automatically reduce the Government's ability to exercise administrative control.
- ii. Humanitarian crisis and displaced people, which will increase the difficulties of the State in providing assistance to the displaced, such as providing food, security, housing, education, health, among other services.
- iii. Increased poverty, vulnerability, and crime because the attacks will prevent investments in infrastructure and increase business fabric, forcing the Government to divert resources to security.
- iv. The proliferation of actors of state violence (national and Rwandan armed forces), quasi-state (local forces and Naparramas) as well as non-state (terrorists) hinder social cohesion and create conditions for the emergence of opportunists, including systematic violation of human rights.

To what extent can gender be affected?

The persistence of the insurgency in Cabo Delgado province impacts women, men, girls, and boys, exacerbating already existing structural inequalities.

The collapse of state authority and the suspension of public services have a huge impact on gender as the closure of schools, health centers and social services burdens women and girls, who are the ones who take the greatest responsibility for the care of children, the elderly and the sick. Maternal and reproductive health is compromised by the shutdown or destruction of health facilities, which reduces access to assisted births, family planning, and antenatal care.

The absence of state institutions and economic opportunities also increases the risk of recruitment of boys and young people by armed groups. In contexts of displacement, the risk of sexual violence, exploitation, forced marriages and sexual exchanges for survival increases. Many women lose informal activities (agriculture, local commerce), becoming economically dependent.

- Gradual resettlement of the public administration in the recovered areas.
- Creation of "mobile administrative posts" to ensure immediate basic services.
- Digitization of some services to reduce disruptions.
- Continuous human rights training for the SDF and allied forces (including contingents of the Rwanda Defense Force).
- Formal integration or demobilization of paramilitary groups (such as the Naparramas).
- Tax incentives for small and medium-sized companies.

¹⁰³ CTA (2022). Impact of terrorist attacks in Cabo Delgado on the business sector. Maputo. Available at <https://cta.org.mz/wp-content/uploads/pdf/IMPACTO-DOS-ATAQUES-TERRORISTAS-EM-CABO-DELGADO-NO-SECTOR-EMPRESARIAL.pdf> (accessed February 13, 2026).

- Youth employment programmes in affected areas.
- Investment in family farming and local value chains.

A gender-responsive approach should include:

- Integration of women in local committees for security and reconstruction.
- Specific economic recovery programmes for women.
- Reproductive health services in emergency settings.
- Robust mechanisms for preventing and responding to gender-based violence.
- Social and economic reintegration of young people (boys and girls), reducing risks of radicalization.

6.8 CONCLUSION

Political integrity risks in Mozambique are structural and interconnected. The democratic decline identified by institutions such as the V-Dem Institute and International IDEA reflects a profound process of concentration of power and erosion of public trust.

The overlap between the dominant party and the State constitutes the main constraint to structural reforms. Without clear mechanisms of institutional separation, any reformist agenda can be absorbed by logics of power preservation.

At the same time, socioeconomic and security risks, including the conflict in Cabo Delgado, amplify institutional fragility and deepen vulnerabilities.

It is important to highlight that such risks have gender-differentiated impacts. Women and young people disproportionately bear the costs of the political, economic and security crisis. Reforms that ignore this dimension will tend to reproduce existing inequalities.

The future of governance will depend less on the technical formulation of reforms and more on the political capacity to:

- i. reconfigure the relationship between party and state;
- ii. restore institutional confidence;
- iii. strengthen transparency and accountability;
- iv. promote effective inclusion.

Without structural transformation, the reforms will be cosmetic. With it, space is opened for the reconstruction of democratic legitimacy and for the strengthening of social cohesion.

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CHAPTER VII



DECENTRALIZATION

CHAPTER VII

7. RISKS TO MONITOR IN DECENTRALIZED GOVERNANCE

By: Ivan Maússe

Decentralized governance is one of the central pillars of the state reform process in Mozambique. It is assumed as a tool for the transfer of competences, power, and resources

from the central to the local level, aiming at the promotion of local development, the deepening of democracy and better serving local particularities¹⁰⁴.

Despite the normative and institutional advances achieved in recent years, the constitutional revision of 2018¹⁰⁵, the approval and regulation of the decentralization package (2019 and 2020),¹⁰⁶ the revision of the basic law on local authorities (2023¹⁰⁷), with an eye on the year 2026, structural and cyclical risks persist that may compromise the material effectiveness of decentralization, institutional stability and the reduction of territorial inequalities.

This section identifies and analyses the main risks to be monitored in 2026 and proposes concrete and achievable mitigation measures for each.

7.1 RISK OF LACK OF NORMATIVE ENSHRINEMENT OF REFORMS AND THEIR EFFECTS ON THE IMPLEMENTATION OF PROVINCIAL DECENTRALIZATION

With the creation of CREMOD - Commission for Reflection on the Decentralized Governance Model - whose two-year term would have ended in July 2025, the expectation was that ways would be found to introduce legal and institutional reforms in the context of decentralization in Mozambique, especially looking at the dilemmas that marked the first cycle of provincial decentralized governance (2020-2024).

However, both during and after the end of CREMOD's mandate, no legal reform with institutional impacts was approved or introduced as a result of this Commission's proposals. This situation justified the second cycle of provincial decentralized governance (2026-2029) to start inheriting the same challenges and/or dilemmas as the previous cycle.

In view of this data, it is possible, by table, to equate the following risks:

A. Continuation of the conflict of competences between the Secretary of State in the Province and the Governor of the Province

Eliminating the conflict of competences between the secretary of state in the province and the provincial governor was, from the outset, assumed as an urgent commitment by the current President of the Republic, Daniel Chapo, both during his 2024 electoral campaign¹⁰⁸, and at the time of his investiture as Head of State, in January 2025¹⁰⁹. He returned to the issue at the swearing-in ceremony of the new provincial secretaries of state¹⁰⁹, having urged the Government, through the Ministry of State Administration and Public Service, to urgently proceed with the revision of Decrees No. 63 and 64/2020, of 7 August, which establish, respectively, the competences of the secretary of state in the province and the provincial governor, which cause competition of competences between the two bodies in the province.

However, during 2025 none of the promised reforms in this regard were fulfilled. In December, during the Annual Report of the Head of State to the Assembly of the Republic, Daniel Chapo said that there is a proposal guided by the CREMOD Report to be

104 MACUÁCUA, Edson (2021, p. 22). *Specificities of the decentralization model in Mozambican: Genesis, evolution, and challenges*. Revista Julgar. Available at: <https://julgar.pt/wp-content/uploads/2021/05/20210531-JULGAR- Especificidades-do-modelo-de-descentraliza%C3%A7%C3%A3o-Edson-Macu%C3%A1cua-1.pdf>, accessed on January 27, 2026.

105 Law No. 1/2018, of 12 June, Law on the Punctual Revision of the Constitution of the Republic

106 Law No. 4/2019, of 31 May, which establishes the legal framework of the principles, norms and competences of the Provincial Decentralised Governance Bodies; Law No. 7/2019, of 31 May, which establishes the legal framework for the organization and functioning of the State Representation Bodies in the Province; and Decrees No. 63 and 64/2020, of 7 August, which establish, respectively, the competences of the Secretary of State in the province and the governor of the province, generating the aforementioned competition of competences between the two bodies in the province.

107 Law no. 12/2023, of 26 August, Law establishes the principles and rules that define the general bases for the creation, organization, and operation of local authorities.

108 Letter (2024, October 2). *Chapo admits overlap between Governor and Secretary of State and defends a simple model*. Available at: <https://www.cartamz.com/index.php/politica/item/17752-chapo-admite-sobreposicao-entre-governador-e-secretario-de-estado-e-defende-modelo-simples>, accessed on 2 February 2025

109 Investiture Speech of Daniel Chapo to the position of President of the Republic of Mozambique, Maputo, January 15, 2025. Available at: <https://www.presidencia.gov.mz/index.php/por/Informacao/Imprensa/Discursos/DISCURSO- DEINVESTIDURA-DO-51-PRESIDENTE-DA-REPUBLICA-DE-MOCAMBIQUE-SUA-EXCELENCIADANIEL-FRANCISCO-CHAPO>, accessed on February 3, 2025.

considered by Parliament as a step in the process of tidying up the provincial government¹¹⁰ chessboard.

Thus, as long as there is no normative approval of the proposal presented by CREMOD, a legal vacuum will persist that prevents the effective implementation of the intended reforms. At the same time, provincial governance will continue to be dominated by procedural disputes rather than focusing on public policy outcomes with a real impact on the lives of local populations¹¹¹.

The overlapping of competences can generate a lack of clarity about the responsibilities of the secretary of state in the province and the governor of the province, which can provoke, in the citizen, the feeling of institutional impotence. It may even reduce citizen participation and discourage engagement in the decentralization agenda at the local level¹¹².

B. Continued reliance on fiscal transfers from the central to the provincial level generated by the absence of a provincial tax regime

Unlike local authorities, which have their own tax system that is legally provided for and regulated, provincial governments still do not have their own tax regime. This reality makes them highly dependent on fiscal transfers from the central level.

In addition, since the current decentralization model was conceived, there has been a lack of clear, fair, and predictable criteria in the definition and execution of these transfers, prevailing a model that disregards the economic, social, and territorial specificities of each province¹¹³, a situation that structurally weakens decentralized governance¹¹⁴.

The prevalence of this configuration risks limiting provincial decision-making power, compromising administrative autonomy, and reducing the capacity for effective planning and execution of public policies and the quality of public services, especially in provinces with less capacity for political or economic influence, which can generate regional inequalities.

In this way, the absence of fair and transparent criteria in intergovernmental financing risks not only perpetuating territorial asymmetries, but also weakening the efficiency, sustainability, and credibility of the decentralization process.

Risk Mitigation

- Revision of Decrees No. 63 and 64/2020, of 7 August, regulating and clarifying the executive competences of the provincial governor and the exclusive competences and sovereignty of the secretary of state in the province, making up for the overlapping competences between the two bodies;
- Creation of a progressive provincial tax regime compatible with territorial asymmetries, based on the assumption that the provinces have profoundly unequal economic capacities, productive bases, levels of development and social needs. The allocation of tax powers must be based on a criterion that considers local economic potential, population density, degree of urbanization, incidence of poverty and differentiated costs of providing public services;
- Definition, in law, of objective and transparent criteria for fiscal transfers from the central to the provincial level, looking at the specificities of each province.

110 O Económico (2025, January 30). *New Norm Will Reinforce the Decentralization of Competences in the Provinces*. Available at: <https://www.oeconomico.com/nova-norma-vai-reforçar-a-descentralização-das-competências-nas-províncias/>, accessed on February 2, 2025.

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113 World Bank (n.d.). *Municipal Finance in Mozambique*. Available at: https://www.citiesalliance.org/sites/default/files/Presentation_WB_Uri%20Raich.pdf, accessed on January 29, 2026.

114 World Bank (n.d.). *Municipal Finance in Mozambique*. Available at: https://www.citiesalliance.org/sites/default/files/Presentation_WB_Uri%20Raich.pdf, accessed on January 29, 2026.

7.2 RISKS OF CORRUPTION IN MUNICIPAL PUBLIC PROCUREMENT IN POST-CALAMITY RECONSTRUCTION CONTEXTS

Municipal decentralization in Mozambique is based on administrative, financial, and patrimonial autonomy. It aims to bring decision-making power closer to the population and allow local authorities to respond more effectively to the needs of their territories¹¹⁵. Within the scope of this autonomy, municipalities can contract works, goods, and services, as well as use financing to promote local development and the provision of essential public services.

However, this same autonomy carries significant integrity risks, especially in the field of public procurement, especially in emergency contexts and post-calamity reconstruction (some municipalities in Maputo, Gaza and Inhambane provinces and Maputo City had their public infrastructure, such as roads, bridges and markets, destroyed after heavy rains that slipped into floods and floods last January. At the moment they are calling for an intervention).

The Public Procurement Regulation, approved by Decree No. 79/2022, of 30 December, establishes, in article 7, that the public tender constitutes the general contracting regime, also applicable to local authorities. This regime, due to its publicity, competition and procedural rigor, is an important mechanism for preventing corruption and ensuring the good management of public resources. However, the Regulation admits exceptional regimes¹¹⁶, including the direct award, provided for in Article 97(c), applicable in emergency situations resulting from unforeseeable events, such as natural disasters.

Recent weather events in Mozambique may justify, in legal terms, the use of exceptional contracting regimes to ensure rapid responses and the continuity of vital services. However, the recurrent or abusive use of direct award represents a high risk of corruption. It reduces competition and expands the margin of discretion of the Procurement Management Units (UGEAs), creating opportunities for undue favoritism, overvalued contracts and low quality of works and services.

Past experience in Mozambique, including at the level of central governance, shows that emergencies have been used to circumvent public procurement rules, resulting in non-transparent practices and losses to the public purse. In 2020 alone, during the COVID-19 pandemic and on behalf of it, more than 14 thousand contracts were awarded by direct agreement, equivalent to about 68 billion meticais¹¹⁷. These precedents function as a warning to the municipal level where the proximity between decision-makers and local interests can aggravate the risks of capture of contracting processes.

Risk mitigation

- It is essential to strengthen the inspection and control mechanisms, and in this context, the role of the municipal assemblies, which must exercise active supervision over the municipal executive, demanding regular and detailed information on the contracts concluded, especially those conducted by direct agreement.
- Transparency in the publication of contracts, the strengthening of the technical and ethical capacity of the UGEAs and the effective performance of external control bodies, such as the Administrative Court, are also fundamental instruments.

7.3 Political capture of the consensus-building process and on decentralized governance reforms, in deviation from COTE recommendations

The work schedule of the Technical Commission for Inclusive National Dialogue (COTE) provides for public debates, consensus building and preparation of proposals, throughout 2026¹¹⁸. Although the public consultation process, both internally and in the diaspora, has been inclusive and comprehensive, there remains a risk that the subsequent deliberative processes, as well as the final documents produced, will be appropriated or reinterpreted by political elites, distorting the genuine results of the public consultations conducted.

In a historical context in which political reforms tend to privilege balances between party elites, reforms on decentralization can be manipulated to be treated as an instrument of political accommodation and pacification between the main political actors in the country, in this case the political parties¹¹⁹. There is a risk that solutions will be approved that do not meet the challenges

¹¹⁵ Article 267 of the CRM.

¹¹⁶ Cf. paragraph 3 of article 9.

¹¹⁷ Center for Public Integrity (2020, August 16). *Exceptional public procurement regime in the context of Covid-19 carries high risks of corruption*. Available at: <https://www.cipmoz.org/2020/08/16/regime-excepcional-de-contratacao-publica-no-contexto-da-covid-19-acarreta-altos-riscos-de-corrupcao/>, accessed on February 2, 2026.

¹¹⁸ AIM (2025, 6 October). *Mozambican CSOs ready to take the lead in the National Inclusive Dialogue*. Available at: <https://aimnews.org/2025/10/06/oscs-mo-cambicanas-prontas-a-tomar-dianteira-no-dialogo-nacional-inclusivo/>, accessed on January 8, 2026.

¹¹⁹ BALOI, Joshua (2024, p. 57). *Decentralization in check: decentralization model and election controversy*. Available at: https://www.iese.ac.mz/wp-content/uploads/2024/11/A-descentralizacao-em-xeque_ochua-Abrao-Baloi.pdf, accessed on January 9, 2026.

of decentralization, looking at its administrative, economic dimensions and those with a direct impact on improving the living conditions of local populations, as intended¹²⁰.

The truth is that this scenario would not be new. Over several years, many other legislative reforms, especially in matters of governance, have tended to mirror the political-party interests of historical and dominant political formations, such as Frelimo and Renamo, always as a mechanism to balance political tensions between them¹²¹. In fact, the current model of decentralized governance, introduced by the constitutional revision of 2018, is an example to be taken into consideration¹²².

Risk Mitigation

Guarantee full transparency of COTE's debates and intermediate documents, through the systematic, full, and accessible publication of all contributions collected within the scope of public consultations. This measure will, to a certain extent, allow the integrity of the process to be safeguarded. It is important to ensure fidelity to the COTE recommendations and to strengthen the democratic legitimacy of decentralized governance reforms.

7.4 Apparent disarticulation between COTE, the Signatories of the Political Agreement and the Assembly of the Republic

The apparent absence of an organic and functional articulation between COTE, the signatories of the political agreement and the members of the Assembly of the Republic constitute a relevant risk. Although the work of COTE may, in the first place, be submitted to the signatories of the political agreement¹²³, then to the President of the Republic and, only after that, to the Assembly of the Republic, which will ultimately discuss and approve the documents conceived¹²⁴, translating them into law, the truth is that the deputies do not participate, at least directly, in the process of drafting the proposals at the level of COTE.

These disconnects between the different levels of consensus-building can result in a superficial and hasty assessment of complex matters in these documents when they reach Parliament. In the meantime, Parliament must appropriate, assimilate, and approve them. If it does so, eventually, with some pressure, if we consider that COTE's work is not limited to matters on decentralized governance, but also involves nine (9) other areas, it may increase the probability of approval of normative solutions with technical, legal, and operational weaknesses.

Risk Mitigation

- Creation of a formal mechanism for articulation between COTE, the signatory leaders of the Political Agreement and the Assembly of the Republic. This will reduce the risk of divergent interpretations, selective appropriations, or substantive changes to proposals during subsequent stages of the decision-making process;
- Inclusion of members of the Assembly of the Republic in the working committees of COTE, wheresoever possible, the thematic area should coincide with the working committee of these members in Parliament. This measure will favor the early appropriation of the contents, methodologies, and rationales of the proposals, reducing subsequent resistance in Parliament and facilitating their integration into the legislative processes to be operated.

7.5 PREVALENCE OF DELAYS IN FISCAL TRANSFERS TO MUNICIPALITIES AND CONSEQUENT WORSENING OF REGIONAL INEQUALITIES

The recurring delays in the transfer of tax funds, such as the Municipal Compensation Fund (FCA) and the Municipal Initiative Investment Fund (FIIA), on which the municipal decentralized entities are very dependent on them¹²⁵, are no longer one-off episodes but a structural problem.

The irregularity of these transfers compromises the basic functioning of the municipalities, affecting the provision of essential

120 Ibidem.

121 DW (2016, March 11). *Chronology of the conflict between RENAMO and the Government of Mozambique*. Available at: <https://www.dw.com/pt-002/cronologia-do-conflicto-entre-a-renamo-e-o-governo-de-mo%C3%A7ambique/a-19105846>, accessed on February 2, 2026.

122 MACUACUA, Edson (2021). *The 2018 constitutional revision in Mozambique: context, process and challenges*. Available at: https://www.cidp.pt/revistas/rjlb/2021/6/2021_06_0663_0709.pdf, accessed on February 2, 2026.

123 AIM (2025, 6 October). *Mozambican CSOs ready to take the lead in the National Inclusive Dialogue*. Available at: <https://aimnews.org/2025/10/06/oscs-mo-cambicanas-prontas-a-tomar-dianteira-no-dialogo-nacional-inclusivo/>, accessed on January 8, 2026.

124 Cf. Article 7(d) of Presidential Decree No. 17/2025, of 5 May, approves the Regulation of Organization and Functioning of the Technical Commission created for the materialization of the "Political Commitment to an Inclusive National Dialogue.

125 Center for Public Integrity (2019, n.d.). *Fiscal decentralization without framework in the current context of public finances: The case of municipalities*. Available at: <https://cipmoz.org/wp-content/uploads/2019/05/Descentraliza%C3%A7%C3%A3o-fiscal-.pdf>, accessed on January 12, 2026.

services, such as garbage collection, road rehabilitation, which generates a crisis of confidence between government officials and citizens¹²⁶. Because of these delays, the late payment of salaries is also on the list, an example of which is the recent complaints from the municipalities of Quelimane¹²⁷, in Zambezia, and Angoche¹²⁸, in Nampula, which have not paid salaries to their employees for more than six months.

In view of this scenario, it will happen that municipalities with a weak capacity to collect their own revenues will become particularly vulnerable, deepening regional inequalities between the different municipal levels¹³⁷. In contexts of economic setback, this risk tends to worsen, weakening local financial autonomy and emptying the material content of decentralization.

Risk Mitigation

- Establishment of binding legal deadlines for fiscal transfers, which will enhance the predictability and regularity of financial flows from the central level to municipalities;
- Dynamization in the process of collecting revenues from municipal sources, allowing greater autonomy of municipalities in conducting operating and investment expenses, reducing the margin of dependence on central-level transfers. This can be achieved by modernizing their local tax administration systems, including up-to-date registration of taxpayers, digitization of tax registers, and simplification of payment procedures. A clear and communicable link must be established between revenue collection and the concrete improvement of local services, such as urban cleaning, public lighting, road maintenance, and market improvement, which have been one of the biggest problems of municipalities in the country.

7.6 CONCLUSION

The analysis of the risks to be monitored in the context of decentralized governance in 2026 shows that despite the normative and institutional advances recorded in the last decade, decentralization in Mozambique remains marked by structural weaknesses that threaten its material effectiveness, institutional stability, and the reduction of territorial inequalities.

The persistence of the conflict of competences at the provincial level, the absence of a specific tax regime for the provinces, the excessive and unpredictable dependence on fiscal transfers, as well as the risks of political capture of deliberative processes and disarticulation between COTE, the signatories of the Political Agreement and the Assembly of the Republic, reveal a model that is still incomplete and vulnerable to political shocks, financial and institutional.

In this context, mitigating these risks requires more than political commitments in speeches, requiring the adoption of clear legal reforms, institutional mechanisms for effective articulation, greater transparency in the processes of consensus-building and a strengthening of the financial autonomy of the decentralized levels.

The year 2026 thus appears as a decisive moment to transform decentralization from a predominantly formal and political project into a functional instrument of democratic governance, balanced territorial development, and effective improvement of the living conditions of the populations. Otherwise, the same dilemmas that have limited their impact since the beginning of the current cycle of decentralized governance could be perpetuated.

126 O País (2024, March 14). *Lack of Municipal Compensation Funds conditions municipalities*. Available at: <https://opais.co.mz/falta-de-fundos-de-compensacao-autarquia-condiciona-condiciona-municipios/>, accessed on January 9, 2026.

127 O País (2026, January 8). *More than 900 employees of the Municipality of Quelimane have been without salary for six months*. Available at: <https://opais.co.mz/mais-de-900-funcionarios-do-municipio-de-quelimane-sem-salario-ha-seis-meses/>, accessed on January 9, 2026.

128 Center for Public Integrity (2019, n.d.). *Fiscal decentralization without framework in the current context of public finances: The case of municipalities*. Available at: <https://cipmoz.org/wp-content/uploads/2019/05/Descentralização-fiscal-.pdf>, accessed on January 12, 2026.

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- Center for Public Integrity (2019, n.d.). *Fiscal decentralization without framework in the current context of public finances: The case of municipalities*. Available at: <https://cipmoz.org/wp-content/uploads/2019/05/Descentralizac3o-fiscal-.pdf>, accessed on January 12, 2026.
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CHAPTER VIII



ENVIRONMENTAL GOVERNANCE

CHAPTER VIII

8. RISKS TO BE MONITORED IN ENVIRONMENTAL GOVERNANCE

By: Mery Rodrigues

This section analyses the main risks to be monitored in environmental governance in the year 2026, with emphasis on Mozambique's high climate vulnerability and the growing predatory mining.

The choice of these two environmental governance risks is justified because they represent threats with cross-cutting effects on multiple sectors, including health, agriculture, infrastructure and the local economy, aggravating the deterioration of environmental quality, the loss of biodiversity and the quality of life of communities, especially of more vulnerable groups such as children, the elderly, pregnant women and people with disabilities. And, for its alignment with the objectives of the Strategic Plan 2024-2034 of the Center for Public Integrity (CIP), which privileges the promotion of transparency, integrity, and accountability in the management of natural resources and in the response to climate risks.

Based on the mapped risks, the end of the section presents recommendations for public policies aimed at adapting to climate change, as well as for the prevention and mitigation of the main environmental problems identified. The recommendations integrate a gender-transformative approach in order to promote the reduction of inequalities and the increase in the participation of women, youth, the elderly, and people with disabilities in decision-making processes.

The analysis of environmental governance risks in Mozambique in 2026 is part of a global context marked by the worsening of climate change, evidenced by the increase in the frequency and intensity of extreme weather events such as cyclones, heavy rains, and severe droughts¹²⁹.

At the national level, the context is one of increasing socio-economic vulnerability of the populations, particularly the host communities of natural resource exploitation projects, often affected by predatory exploitation practices. Women and girls bear a greater burden of domestic work, food insecurity, and health risks, while facing lower access to land, income, climate information, and community decision-making mechanisms.

Mozambique, characterized by a tropical to subtropical climate, is among the world's most climate-vulnerable countries, ranking fifth in the global vulnerability ranking¹³⁰. This structural condition, associated with high levels of poverty and social inequality, aggravated by the predatory exploitation of natural resources, exacerbates socio-environmental impacts and limits the ability of host communities to adapt. The impacts disproportionately affect female-headed households, which have less access to means of production.

Climate change has amplified the occurrence of extreme events, such as cyclones and floods, which occur during the rainy season (October to April), which manifest themselves in a cyclical way and with devastating impacts on communities, infrastructures, and ecosystems¹³¹. Events such as cyclones and heavy rains will continue to occur in Mozambique due to its geographical location, being more intense during the hot and rainy season, with a peak in the months of January and February.

Historical records indicate the occurrence of 27 cyclones and heavy rains between 1980 and 2023¹³². In the last ten years, these phenomena have manifested themselves with greater frequency and intensity, occurring at least once a year, with cyclones and tropical storms recorded in 2024 (Filipo and Chido) and 2025 (Dikeledi and Jude) being clear examples of worsening weather in the country.

Cyclones and heavy rainfall often result in prolonged flooding, with negative impacts on ecosystems, infrastructure, livelihoods, and the population¹³³, particularly pregnant women, children, the elderly, and people with disabilities, face greater barriers to mobility, safety in emergencies and access to simplified information.

129 Food and Agriculture Organization-FAO (2016). AQUASTAT Country Profile – Mozambique. 17 pp. FAO, Rome.

130 AFRIKAI, Lda (2022). Report on the Impact of Climate Change on Sanitation in Mozambique. <https://www.wateraid.org/mz/sites/g/files/jkx-oof341/files/o-impacto-das-mudancas-climaticas-no-saneamento-em-moambique.pdf> [accessed on January 14, 2025, at 10:30 am].

131 Rodrigues, M. (April 22, 2024). Causes of Cyclical Floods in Maputo: climate change or deficient public policies for territorial planning? *In CIP*. <https://www.cipmoz.org/2024/04/22/causas-das-inundacoes-ciclicas-em-maputo-mudancas-climaticas-ou-deficientes-politicas-publicas-de-ordenamento-territorial/> [accessed 13 January 2026].

132 National Institute of Meteorology (INAM) (2023). Mozambique State of Climate Report 2023. <https://www.inam.gov.mz> [accessed on September 14, 2024, at 12:20 pm].

133 UNICEF Mozambique (2025). Cyclone Dikeledi and Chido in Mozambique. <https://www.unicef.org/mozambique/ciclone-dikeledi-e-chido-em-moambique> [accessed on January 20, 2025, at 12:00 pm].

High climate vulnerability and the expansion of predatory mining have exposed vulnerable social groups such as women and children to multiple social risks, precarious survival conditions, *sextortion*, female food insecurity, child labor associated with mining activity and school dropout of girls and children. These risks are compounded by the loss of agricultural land, limited access to clean water, and growing economic dependence in mining contexts and areas affected by natural disasters, where fragile livelihoods and insufficient social protection mechanisms intensify social and gender inequalities.

Environmental governance is a critical issue for Mozambique's socio-economic stability, as it directly influences the state's ability to prevent risks, protect livelihoods, and ensure essential public services. The recurrent climate damage and investment for environmental recovery in areas degraded by the exploitation of natural resources, impose high budgetary costs on the Mozambican State, requiring the frequent mobilization of resources for emergency responses to natural disasters and environmental recovery and reconstruction of public infrastructures.

Weak investment in climate-resilient infrastructure and Nature-based Solutions (NbS), weak sensitivity to gender inequalities, perpetuate cycles of destruction and reconstruction of infrastructure or rehabilitation of degraded habitats, which absorb public resources, reducing the fiscal space for structuring investments in health, education, and durable infrastructure.

8.1 CLIMATE RISKS

During the rainy season, reports of human losses, infrastructure, and destruction of agricultural fields due to floods are recurrent, while in periods of drought, there is a shortage of water for public supply and agricultural irrigation, impacting women and girls responsible for water collection and family food production. This highlights weaknesses in the integrated management of rainwater and river water, the improvement of which could reduce the impacts of flooding on communities and key sectors such as agriculture, education, transport, and health.

Each rainy season sees significant damage and loss of humans, animals, agricultural products, and livelihoods, as well as the destruction of homes, health facilities, schools, houses of worship and various critical infrastructure, including railways¹³⁴, telecommunications towers, power poles, bridges, and roads¹³⁵.

In the period from January 9, 2026, to February 5, 2026, the country recorded 23 deaths. However, from the beginning of the current rainy season that began in October 2025 until February 5, 2026, there have been 191 deaths, 845,144 people affected, 181,672 houses flooded, 12,279 houses partially destroyed, 5,669 houses totally destroyed, 242 health facilities affected, 578 schools affected, 46 houses of worship, 530,998 animals killed, 46 water supply systems affected, 7,024 km of roads and 38 bridges affected, 554,617 hectares agricultural area affected, 249 vessels damaged¹³⁶. Public finances face systemic risks, such as vulnerability to climate shocks, which have generated economic losses of more than USD 4 billion since 2019 and cause annual erosion of the tax base, estimated at around 0.5% of GDP¹³⁷.

The impacts of bad weather are cyclical and widely known in Mozambique, the response requires large investments, often in the order of millions of dollars, especially in contexts of post-calamity reconstruction and replacement of critical infrastructure.

The Annual Contingency Plan 2025-2026, approved by the Government and published in October 2025, predicted a high risk of urban flooding for the cities of Maputo, Matola, Xai-xai, Beira and Quelimane, for the 2025-2026 rainy season¹³⁸. However, the PESOE approved by the Assembly of the Republic and published two months after the Plan, in December 2025, underbudgeted the Climate Change and Disaster Management Program, 93.75% of the amount needed to respond to the needs of natural disasters. In addition to under budgeting, the Climate Change and Disaster Management Programme did not cover Gaza province, which was recently devastated by heavy rains.

On January 27, 2026, the Government announced that it needs about USD 640 million for post-calamity reconstruction^{139,140}

134 AIM (January 15, 2026). CFM paralyzes train circulation on the Limpopo Line. In AIM. <https://aimnews.org/2026/01/15/cfm-paralisa-circulacao-de-comboios-na-linha-do-limpopo/> [accessed on January 25, 2026, at 12:05 pm].

135 INGD (January 15, 2026). Impact of floods throughout the country. <https://www.facebook.com/photo/?fbid=1340293518137120&set=a.298372352329247> [accessed on January 15, 2026, at 19:00].

136 Ministry of Finance (August 2025). Fiscal Risk Report 2026. <https://www.mef.gov.mz/index.php/publicacoes/politicas/relatorios-de-riscos-ficais/2412-relatorio-de-riscos-ficais-2026> [accessed on February 05, 2026, at 16:05h].

137 Ministry of Finance (August 2025). Fiscal Risk Report 2026. <https://www.mef.gov.mz/index.php/publicacoes/politicas/relatorios-de-riscos-ficais/2412-relatorio-de-riscos-ficais-2026> [accessed on February 05, 2026, at 16:05h].

138 Technical Council for Disaster Risk Management and Reduction (October 2025). Annual Contingency Plan 2025- 2026. In INGD. <https://ingd.gov.mz/pla-no-de-contingencia/> [accessed on January 10, 2026, at 17:00h].

139 Chirinzane, A. (January 27, 2026). Mozambique: Post-flood reconstruction could cost more than US\$600 million. In AIM. <https://aimnews.org/2026/01/27/mocambique-reconstrucao-pos-cheias-podera-custar-mais-de-600-milhoes-de-dolares/> [accessed on January 29, 2026, at 12:00 pm].

140 Baloi, S. (January 28, 2026). The government estimates the post-disaster reconstruction program at US\$640 million. In MZNEWS. <https://mznews.co.mz/governo-estima-em-640-milhoes-de-dolares-o-programa-de-reconstrucao-pos-calamidades/> [accessed on January 29, 2026, at 14:00].

highlighting the financial dimension of the damage caused by the floods and the growing pressure on public finances. However, the amount of USD 640 million contrasts significantly with the amount of about USD 40 million allocated in PESOE 2026 for the Climate Change and Disaster Management Program, this amount represents only 6.25% of the amount needed. This discrepancy suggests that, despite the recurrent history of post-disaster destruction, the amounts allocated in the public budget to address climate risks and calamities fall short of the country's real needs, reducing the capacity for effective response and perpetuating a cycle of reactive action and repetitive reconstruction.

Underbudgeting for the climate change and disaster management program undermines budget planning, increases dependence on external financing, and limits fiscal space for investments in priority social sectors, such as health, education, and infrastructure.

In addition to underbudgeting to respond to disasters, government authorities have not prepared to prevent and minimize the effects of heavy rainfall and transboundary dam discharges that occurred in January 2026 in the southern region of the country. Preparedness includes advance planning of rescue and evacuation operations with clear definition of safe routes and centers, pre-allocation of air and ground assets for rescue and humanitarian support, strengthening community early warning systems, and conducting response exercises and simulations before the rainy season.

In comparable contexts such as South Africa, during the floods of January 2026, the country declared a state of national calamity^{141,142} due to torrential rains and mobilized air assets and specialized teams, including helicopters and rescue forces integrated with regional partners, to evacuate hundreds of stranded people, provide emergency care, and coordinate humanitarian assistance with regional agencies and NGOs.

The impacts of bad weather feed a vicious cycle of destruction and reconstruction of public and private infrastructure¹⁴³, accompanied by recurrent human losses and continuous degradation of livelihoods, influencing the worsening of food insecurity and poverty, especially for women farmers and food sellers. And if effective prevention and adaptation measures are not taken, the storms will continue to result in increased losses of man, livelihoods, and infrastructure.

The repetitive reconstruction of infrastructure without incorporating climate resilience criteria represents a significant waste of public resources that could be allocated to other sectors. In the same places that are known to be the most affected by the rains every year, infrastructures are rebuilt that end up cyclically being damaged or destroyed¹⁴⁴, spending resources that would be important to be invested in other areas. In addition to resulting in a waste of public resources, it also represents a missed opportunity to integrate gender-sensitive urban and rural planning principles, which consider safety, mobility, sanitation, and equitable access to basic services.

The 4.35% reduction (from 49,236.8 to 47,096.3 million meticaís) of the health sector budget between 2025 and 2026¹⁴⁵ could negatively affect the country's ability to respond to diseases associated with inadequate water and sanitation, and could result in increased morbidity and mortality, especially in pregnant women and immunosuppressed people¹⁵⁵.

During the rainy season, the spread of pathogenic microorganisms¹⁵⁶ is intensified by consumption of or contact with contaminated water, contributing to the occurrence of diseases such as cholera¹⁵⁷, leptospirosis, typhoid fever (bacteria), hepatitis A (virus), amoebiasis, ascariasis and giardiasis (parasite).

In the rainy season of 2022 and 2023, 285,277 cases of diarrhea were registered in the country, this symptom is caused by various diseases associated with pathogenic bacteria, viruses, and parasites¹⁴⁶.

In addition, stagnant water creates favorable conditions for the proliferation of the *Anopheles mosquito*, vector of the Plasmodium parasite, responsible for the transmission of malaria^{147,148}.

141 South African Government (January 2026). Floods response. <https://www.gov.za/floods> [accessed on January 25, 2026, at 17:00h].

142 360 Mozambique (January 19, 2026). South Africa: Government Declares State of National Disaster in Response to Deadly Floods in the Country. <https://360mozambique.com/world/africa/south-africa-government-declares-state-of-national-disaster-in-response-to-deadly-floods-in-the-country/> [accessed on January 25, 2026, at 17:00h].

143 Rodrigues, M. (May 04, 2025). Mozambique Stuck in a Vicious Cycle of Reconstruction and Post-Cyclone Losses. In *CIP*. <https://www.cipmoz.org/2025/05/04/mocambique-presos-a-um-ciclo-vicioso-de-reconstrucao-e-perdas-pos-ciclones/> [accessed on January 15, 2026, at 17:00].

144 Idem Rodrigues, M. (May 04, 2025).

145 Republic of Mozambique (December 23, 2025). Proposal for the Economic and Social Plan and State Budget for 2026. <https://www.mef.gov.mz/index.php/publicacoes/politicas/plano-economico-e-social-e-orcamento-do-estado-pesoe/pesoe-2026/2471-fundamentacao-pesoe-2026/file> [accessed on January 16, 2026, at 10:20].

146 Immunosuppressed people are those whose body's defense system is weakened, making them more vulnerable to infections, serious diseases, and health complications. These people include children, the elderly, people who are malnourished, those undergoing cancer treatment, those living with HIV/AIDS, among others.

147 Pathogenic microorganisms are organisms invisible to the naked eye, namely, bacteria, viruses, fungi and parasites, capable of invading a host such as humans, animals and causing diseases such as cholera, hepatitis A and amoebiasis. Water, contaminated food, air, or direct contact often transmits these microorganisms.

148 National Institute for Disaster Risk Reduction and Management – INGD (August 2023). Balance of the Rainy and Cyclonic Season 2022/2023. https://ingd.gov.mz/wp-content/uploads/2025/07/Relatorio_do_Balanco_da_ECC_2022-2023.pdf [accessed on January 10, 2026, at 13:23].

Recommended measures to prevent, adapt and mitigate the effects of inclement weather include:

- i. Strengthen community alert systems, considering that information must arrive on time for communities and in a language accessible to all;
- ii. Indicate in a timely manner the safe accommodation places for people living in places vulnerable to flooding;
- iii. Allocate financial, logistical, search and rescue, shelter and accommodation, food, and health resources in a timely manner to effectively respond to heavy rainfall.
- iv. Prepare the right conditions to remove people in high-risk areas in a timely manner, especially the most vulnerable such as children, the elderly, pregnant women, and people with disabilities;
- v. Publish the Annual Contingency Plan by the third quarter;
- vi. Allocate amounts to the Climate Change and Disaster Management Program considering the Annual Contingency Plan;
- vii. Involve bioclimatic architects in climate-resilient infrastructure construction projects to guide the construction of tropical storm-resistant infrastructure, cyclones, and elevated roads with ditches to prevent flooding;
- viii. Introduce regulation mandating the construction of climate-resilient infrastructure and drainage ditches in all public works;
- ix. Build infrastructures such as retention basins, dams for the retention and management of rainwater to supply communities and agricultural fields throughout the year, waiting for the next rainy season;
- x. Promote the culture of using tanks and cisterns to capture water from rooftops to a reservoir;
- xi. Conduct regular inspection actions on public works and strengthen accountability mechanisms for contractors who do not follow the rules and regulations that guide the construction of resilient infrastructure;
- xii. Perform regular maintenance of drainage systems and improve sanitary conditions;
- xiii. Raise awareness among the population about rainwater harvesting and conservation systems and methods for building climate-resilient homes and other settlements from local materials;
- xiv. To report to Parliament on the amounts received for the management of natural disasters in plenary sessions broadcast by the press;
- xv. To set up labor oversight committees of the INGD which includes civil society;
- xvi. Assess the level of satisfaction of the resettled communities through surveys conducted by independent entities;
- xvii. Promote the planting of mangroves and native coastal vegetation in vulnerable areas;
- xviii. Effectively introduce climate education in schools and communities.

8.2 RISKS IN THE MINING SECTOR

Alongside climate risks, the predatory exploitation of natural resources is one of the main challenges to environmental governance in Mozambique. Deforestation, illegal logging and mineral exploitation, environmental pollution, rapid disorderly urbanization have caused biodiversity loss, ecosystem degradation and reduced agricultural productivity, affecting women's livelihoods dependent on agriculture and the collection of forest products.

In addition to environmental problems, the process of public consultations, conducted by consultants hired by the proponents for the communities, is not proper and is characterized by limited information and low effective participation of host communities, including women. Similarly, the government's expropriation of land in host communities has resulted in increased loss of livelihoods, including fishing grounds, farmland and trees used as energy, food, and construction, compromising the food and economic security of affected households.

The mining sector, considered one of the significant sources of revenue for the State, presents high risks associated with the involvement of Politically Exposed Persons (PEPs),¹⁴⁹ which favor conflicts of interest, weakens environmental inspection and compromises accountability for socio-environmental damages.

The connection of multinational companies with Politically Exposed Persons (PEPs) can negatively influence the actions of government agencies responsible for environmental enforcement. For example, the population of Moatize, Chibuto-Chongoene, Inhassunge and Angoche have reported negative socio-environmental impacts caused by the companies Vulcan¹⁵⁰, Dingsheng

149 Calangue, M. (2025, February 18). Chapo's government composed of businessmen. In *CIP* <https://www.cipmoz.org/wp-content/uploads/2025/02/Governo-de-Chapo-composto-por-homens-de-negocios-1.pdf> [accessed on February 19, 2025 at 11:00 am].

150 Catueira, A. (2024, August 29). Population gives ultimatum, but pollution and detonations from the Vulcan mining company continue in Moatize. In *VOA*. <https://www.voaportugues.com/a/populacao-da-ultimato-mas-poluicao-e-detonacoes-da-mineradora-vulcan-continuam-em-moatize/7764281.html> [accessed February 11, 2025, at 11:00 am].

Minerals¹⁵¹, Africa Great Wall Mining and Haiyu Mining¹⁵², respectively. The government has not taken measures to check and hold offenders accountable, promoting good environmental practices and respect for human rights.

The absence of effective environmental inspection in the mining sector is shown by the exploitation of natural resources without an Environmental Operating License, as well as by the recurrent occurrence of environmental pollution¹⁵³. These practices have caused serious environmental damage, with a high probability of compromising the quality of ecosystems and public health, particularly through the consumption of water and food contaminated by pollutants resulting from mining activities. For example, some of the water resources in the districts of Sussundenga and Manica, in Manica province, used by the population for consumption, animal watering and fishing, are highly contaminated by heavy metals such as mercury and arsenic¹⁵⁴.

Mercury and arsenic pollution in ecosystems, in addition to endangering aquatic life, constitutes a threat to public health, since the ingestion of these pollutants can cause damage to the kidneys, liver, brain, heart, lungs, colon, immune, respiratory, and neurological systems. Health problems caused by mercury ingestion can compromise future generations from ingestion by pregnant women and children. Foetuses and children exposed to mercury during the gestational period can suffer impacts on cognitive development, affecting memory, attention, language, fine motor skills, and visuo-spatial skills¹⁵⁵. Communities found in mining areas, often remote and with poor access to basic services, disproportionately bear the negative impacts of environmental degradation.

In addition to environmental pollution compromising public health in the short, medium, and long term, it results in costs that fall on the State, through increased demand for medical care, long-term treatments, and response to chronic and neurological diseases, especially in communities with poor access to basic services. The combination of revenue losses and increased social costs makes mining governance a critical dimension for fiscal stability.

Mozambique does not have functional environmental monitoring systems whose role is to collect, analyze and issue continuous and verifiable information on environmental quality, pollution levels, the state of ecosystems and the compliance of projects with environmental obligations. The absence of this weakened public scrutiny reduces the capacity of communities and civil society for informed participation, creating an environment conducive to opacity, impunity, and environmental crimes.

Weak oversight favors the approval of projects with poor environmental assessments, manipulated or influenced by private interests, increasing the likelihood of corrupt practices such as bribery, conflicts of interest and political interference in permitting processes. As a result, these weaknesses contribute to the continued degradation of ecosystems and the systematic violation of the rights of host communities. The delay in the allocation and the deviation of the application of the 2.75% value by the central government aggravates the violation of the rights of the host communities of mining projects¹⁵⁶.

Corruption and poor governance in the mining sector represent a relevant macro fiscal risk by reducing the State's capacity to collect revenues and increase indirect public expenditures. When mining is characterized by weak oversight, conflicts of interest associated with the involvement of Politically Exposed Persons (PEPs) and limited transparency, it tends to occur with a higher probability of tax evasion, under-declaration of production, price manipulation and undue tax benefits, compromising revenue collection and weakening the potential contribution of the extractive sector to the State Budget.

Mozambique has ratified several international agreements, including the Paris Agreement, the Convention on Biological Diversity, and the Minamata Convention, and has aligned with global agendas such as Nationally *Determined Contributions* (NDC) 3.0, the 2030 Agenda, and the Conference of the Parties processes. In this context, it is urgent to strengthen environmental governance through the strengthening of public policies, transparency and accountability, effective environmental monitoring and the active involvement of Civil Society Organizations (CSOs) and local communities.

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To mitigate predatory mining, it is essential to implement effective monitoring and accountability mechanisms. Key measures include:

- i. Provide trainings to communities prior to community consultations to empower them to actively take part in the decision-making process;
- ii. Provide adequate resettlement for host communities, ensuring respect for the principle that resettled populations should benefit from living conditions equal to or superior to those in the areas of origin, including access to decent housing, basic services, and livelihoods;
- iii. Involve CSOs in the Environmental Impact Assessment (EIA) process to ensure that the granting of environmental permits follows strict criteria;
- iv. Disseminate and guarantee free access to Environmental Impact Studies (EIA), ensuring transparency in the project approval process;
- v. Create strict monitoring systems by CSOs to check projects with negative environmental impacts, especially those associated with PEPs as beneficial owners;
- vi. Implement regular environmental monitoring at all stages of the project, ensuring the participation of CSOs and local communities to avoid irregularities;
- vii. Ensure the supervision of effluent treatment systems by CSOs, ensuring that companies follow environmental standards and do not contaminate the environment;
- viii. Disseminate and ensure public access to environmental quality reports produced by companies, ensuring independent verification of data;
- ix. Promote transparency in the accountability of mining projects, allowing the monitoring of the amount of minerals extracted, revenues and profits of companies;
- x. Strengthen accountability for offending companies, including PEPs engaged in predatory practices, by ensuring proper sanctions and effective environmental restoration in affected areas.

8.3 CONCLUSION

The analysis of environmental governance risks for 2026 shows that Mozambique faces a scenario of high socio-environmental pressure, marked, on the one hand, by the intensification of extreme weather events and, on the other hand, by the prevalence of predatory exploitation practices of natural resources, especially the mining sector. These two risks, due to their cross-cutting nature, simultaneously affect sectors of health, agriculture, water supply, infrastructure and the local economy, aggravating environmental degradation, biodiversity loss, and the vulnerability of communities.

The impacts of the storms seen, including human losses, loss of livelihoods, destruction of infrastructure, increase in diseases associated with water and sanitation, as well as contamination of water resources by heavy metals, prove that the State has weak capacity for prevention and adaptation. The discrepancy between reconstruction needs and the amounts distributed in the public budget for climate change and disaster management reinforces the fragility of budget planning and the growing dependence on external financing, perpetuating cycles of destruction and reconstruction without effective incorporation of climate resilience criteria and Nature-based Solutions.

Weak environmental enforcement, the absence of effective environmental monitoring systems, as well as the influence of Politically Exposed Persons in the mining sector, create conditions conducive to opacity, impunity and corruption, weakening accountability for socio-environmental damage and compromising the potential contribution of the extractive sector to the country's development. These risks disproportionately affect more vulnerable groups such as women, children, the elderly, pregnant women, and people with disabilities, deepening inequalities and exposing communities to multiple forms of social and economic insecurity.

It is urgent to strengthen environmental governance in Mozambique through public policies aimed at climate prevention and adaptation, investment in resilient infrastructure and Nature-based Solutions, strengthening environmental enforcement, transparency, and accountability, as well as effective participation of communities and Civil Society Organizations. Gender mainstreaming is also indispensable to ensure that women, youth, older people, and people with disabilities actively participate in decision-making processes and benefit equitably from the responses and measures implemented.

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