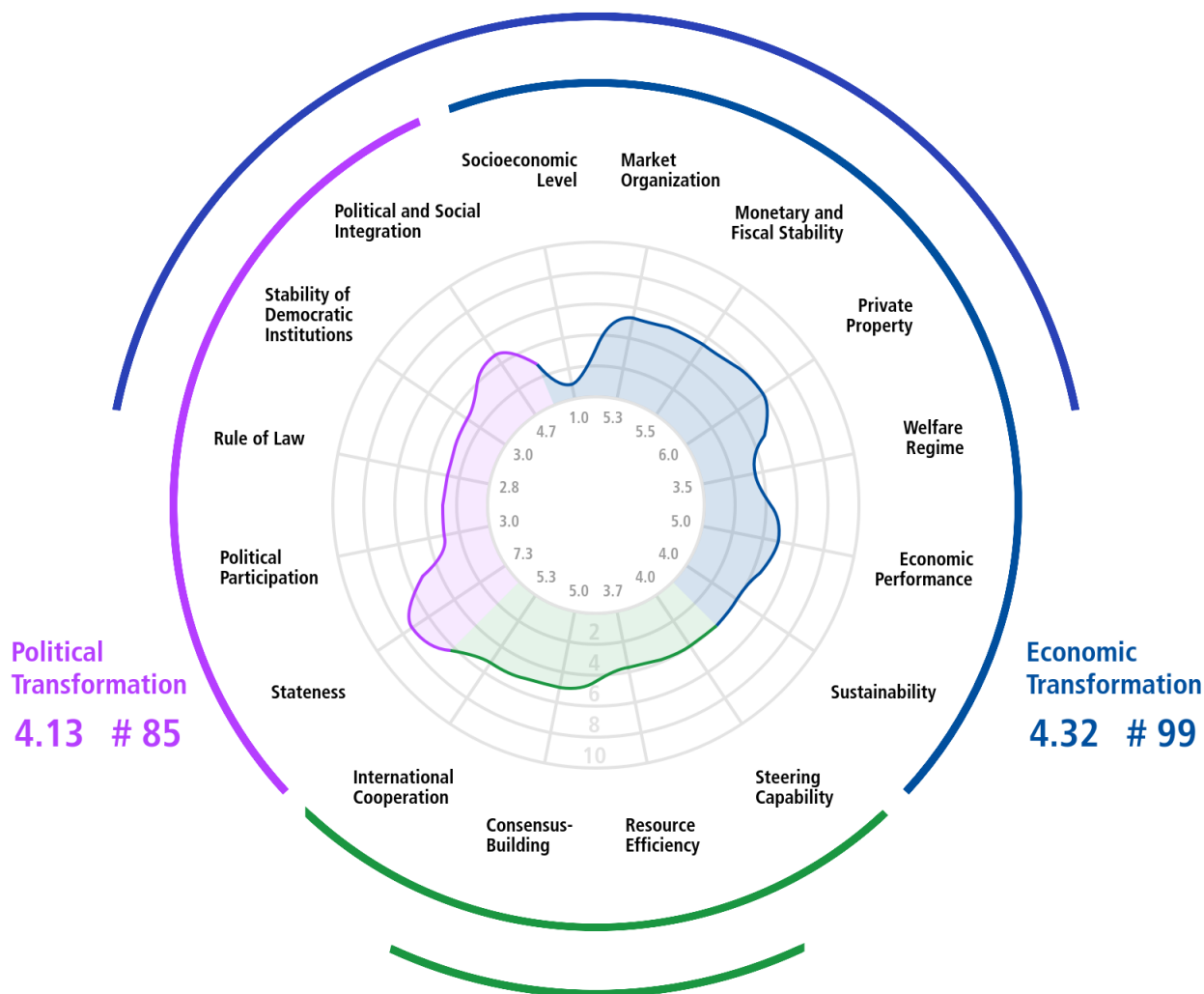


Mozambique

Status Index

4.23 # 100

on 1-10 scale out of 137



Governance Index

4.28 # 85

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2024**. It covers the period from February 1, 2021 to January 31, 2023. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at <https://www.bti-project.org>.

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Key Indicators

Population	M	33.0	HDI	0.446	GDP p.c., PPP \$	1468
Pop. growth ¹	% p.a.	2.7	HDI rank of 189	185	Gini Index	50.5
Life expectancy	years	59.3	UN Education Index	0.390	Poverty ³	% 88.6
Urban population	%	38.2	Gender inequality ²	0.537	Aid per capita \$	70.3

Sources (as of December 2023): The World Bank, World Development Indicators | UNDP, Human Development Report 2021-22. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.65 a day at 2017 international prices.

Executive Summary

A new electoral cycle will begin with municipal elections in October 2023, followed in 2024 by presidential, parliamentary and provincial governor elections, as well as Mozambique's first-ever district elections. However, there have been no preparations thus far to establish elected bodies at the district level. Therefore, it is uncertain whether the FRELIMO government will uphold its commitment to the 2019 peace agreement it contracted with the RENAMO Party, Mozambique's main opposition party.

The FRELIMO Party dominates all spheres of life, with space for opposing voices progressively shrinking. Holding an absolute majority in parliament, FRELIMO has marginalized opposition parties and deprived them of the financial resources that attend parliamentary representation. Rumors still prevail concerning a potential third term for President Nyusi, who reinstated himself as FRELIMO president in 2022 with an orchestrated vote and 100% majority. While established opposition parties struggle for their political future, the ruling party has embarked on a generational change, the direction of which still remains opaque.

Although the intervention of Rwandan and South African Development Community (SADC) security forces allowed for stabilization of the security situation in Cabo Delgado, the terrorist threat is far from over. The Islamist insurgents have changed tactics, dividing into more cells and moving into neighboring provinces, where they continue to terrorize the local population. Following an ambush that resulted in the killing of the leader of a RENAMO splinter group, the remaining RENAMO militants under arms have commenced their Disarmament, Demobilization and Reintegration (DDR) process.

The economy is, despite further setbacks caused by cyclones in 2021 and 2022, on its way to recovery. According to the first estimates, GDP growth increased to 4% in 2022. If Liquefied Natural Gas (LNG) projects develop further, the economy could grow by 7% in 2024.

Despite a tight monetary policy, inflation remained notably high at 10.3% in 2022. A gradual decline in government debt has occurred. Although it was still at 120% of GDP in 2020, by 2022 it had decreased to 111.6%. However, this reduction is not due solely to the government's debt service but also reflects a growth in GDP.

FDI flows have increased, and donors have begun to provide support again.

Nevertheless, Mozambique remains one of the least developed countries in the world. Over 60% of its population lives in extreme poverty. It ranks 185th (out of 191 countries) on the Human Development Index, which trended downward in 2019. As in the past, economic growth does not reach communities in need and does not trigger development, as policies lack coherence and coordination and legal frameworks are insufficiently implemented.

History and Characteristics of Transformation

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

Recurring natural disasters and the Islamist insurgency not only challenge the FRELIMO government's hold on power but also draw attention to its structural deficiencies.

The "hidden-debt" scandal, the lack of transparency and cooperation around it, as well as the reluctance to hold accountable those who participated and benefited, have tainted the Mozambican government's image. The previous donor darling became a pariah in the international donor community. When budget support was suspended, the country slid to the brink of bankruptcy.

The scandal and its attempted cover-up revealed bad governance and weak institutions that failed to monitor government spending and hold those in charge accountable.

At no point did government officials show remorse, making it evident that the country has embarked on an undemocratic, autocratic trajectory.

Orchestrated election fraud in 2019, along with a climate of intimidation and violence against those who criticized the government, further tarnished Mozambique's democratic image.

When President Nyusi ran for president for the first time in 2014, he projected himself as an ordinary citizen, protector of human rights, peacemaker and managerial type who sought to develop his country. During his time in office, however, he transformed into a power-hungry politician who consolidated his grip on party and state institutions in order to protect his personal interests.

The municipal elections, scheduled for October 11, 2023, will start a new electoral cycle, with presidential, provincial and district-level elections to follow in 2024.

Both main opposition parties represented in parliament, the RENAMO Party and the Democratic Movement of Mozambique (MDM), are weak and destitute, given the FRELIMO Party's domination. The latter has permeated all levels of society and captured state institutions, including those that would otherwise provide checks and balances: parliament and the judiciary.

The political opposition was unable to capitalize on the failings of the devastating economic situation and the loss of donor support due to irresponsible behavior on the part of government officials and present itself as a credible alternative.

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

Transformation Status

I. Political Transformation

1 | Stateness

In recent years, armed RENAMO splinter groups and the Islamist insurgency in Cabo Delgado Province have challenged the state's monopoly on the use of force.

The RENAMO Military Junta, led by Mariano Nyongo, rejected the terms of the peace agreement signed by President Nyusi and RENAMO leader Ossufo Momade in October 2019. In the central provinces of Sofala and Manica, the junta carried out attacks on transport convoys, killed civilians and engaged in plundering, looting and arson. After Nyongo was killed in a battle with government forces in October 2021, the junta's last armed members surrendered their weapons and began the demobilization process.

Security challenges to the state remain in northern Mozambique.

An Islamist insurgency began in Cabo Delgado in 2015 when a local violent group that calls itself Ahlu Sunnah Wa-Jamâ (ASWJ) created military cells and established links with foreign jihadists. Locals refer to it as al-Shabaab (although it does not have official ties to the group operating in the Horn of Africa). In May 2022, IS recognized al-Shabaab as one of its provinces.

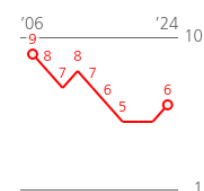
At first, the Mozambican government unwisely did not take the security threat seriously. This, along with its reluctance for months to accept assistance from neighboring South Africa and the SADC aggravated the situation to the point that the insurgents were able to take control of the resources of the important towns of Mocimboa da Praia and Palma (including their port facilities).

With Mozambique's own defense forces incapable of restoring state authority, 2,500 Rwandan troops secured the districts around the Afungi Peninsula, where the French oil company TOTAL plans to build an onshore gas facility. About 2000 SADC soldiers are stationed in the districts of Macomia, Nangade, Muidume and Mueda.

Question
Score

Monopoly on the
use of force

6



Pushed out of Palma and Mocimboa da Praia and substantially weakened, the terrorists broke up into small cells and now threaten an even larger area with raids on villages and security posts. Sixteen of Cabo Delgado's 17 districts came under attack in 2022. Incursions into the neighboring provinces of Niassa and Nampula, as well as into Tanzania, were also reported.

Nation-building in Mozambique is largely shaped by the decolonization process. After independence, FRELIMO defined Mozambique as a nation and adopted Portuguese as a unifying language, bringing together all ethnic groups. However, beneath this layer, subidentities related to the various ethnic groups and their cultures prevail.

Politically, FRELIMO aims to prevent the emergence of ethnoregional parties. Moreover, the Mozambican constitution prohibits parties with an ethnic or regional character.

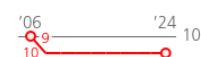
Regional and ethnic lobby groups, such as the Movimento Cívico de Solidariedade para Apoio da Zambézia (MOCIZA), were founded in reaction to the domination by cadres from southern Mozambique within FRELIMO. In addition, ethnicity cleavages have been discussed within elite and academic circles. Recourse to ethnicity may also be understood as a reaction to the rhetoric of a ruling party that states "Em Moçambique só há moçambicanos" while at the same time acting in the interests of a small, almost ethnically homogenous elite. This provoked a reorientation within society in relation to the proclaimed nation-state, and some people and parties felt excluded.

Irrespective of existing subnational identities, the identification of Mozambicans with the nation remains strong: according to the latest Afrobarometer survey, 20.6% predominantly identify as Mozambican, and for 51.1%, the nation is as important as their ethnic group.

All Mozambicans acquire citizenship directly through birth on Mozambican territory and subsequent registration. Registration of children has expanded to most rural areas. The process has been made easier: children are registered immediately after birth in health facilities where civil registration exists or at the civil registry. Registration is free for the first six months after birth. After six months, a fee equivalent to one euro is charged. The civil registration document entitles citizens to acquire an identity card, which confers citizenship and access to all other services. Mozambicans generally adhere to the process of registration and accessing identity cards, despite the fact that the civil registry services are slow to respond to demand in the cities and scarce in rural areas.

State identity

9



1

Article 54 of the constitution guarantees the freedom of religion and underlines the laic character of the state. The FRELIMO government keeps religion out of public life while at the same time tolerating the sociopolitical engagement of religious institutions. Building a strictly secular state also kept religious influence at bay.

Irrespective of the secular character of the state and the vigilance of the government in protecting it, the Catholic Church has been an important mediator in the conflict between the FRELIMO and RENAMO Parties, drawing on its positive influence in the 1990s, when the Catholic lay community of Saint Egidio facilitated peace talks. However, the denunciation by Catholic bishops of atrocities and human rights violations the National Defense Forces committed in communities in Cabo Delgado has put a strain on the relationship.

The Muslim community in Mozambique has practiced a tolerant Islam for centuries. However, most Mozambican clerics receive training in Egypt, Kuwait or Saudi Arabia and return with a more fundamentalist concept of Islam than the Sufi-inspired, Swahili-based Islam traditional to Mozambique.

In the wake of the first terrorist attacks in Cabo Delgado, the government temporarily closed two mosques in the provincial capital, Pemba, but reopened them within a year. The Islamic Council of Mozambique regularly condemns the attacks and distances itself from the attackers, who claim to act in the name of Islam. Equally, the council has denounced arbitrary arrests of Muslims occurring in the northern provinces as part of the fight against terrorist groups.

Basic administrative structures exist in Mozambique. But it is evident that quantitative improvements do not resolve existing problems when the quality of services and efficiency of management do not improve. In addition, climate change also affects basic services as demands are increased or progress regresses.

In 2022, the Ministry for Public Works reported that, despite over 1,000 new wells drilled each year, 66% of the Mozambicans remain without access to potable water. It is estimated that 61.8% have access to potable water. However, the availability of drinking water is also affected by climate change, as existing wells are drying out. In addition, unregulated settlements and pollution by fertilizers limit the availability of potable water.

Still, 22% of Mozambique's population does not have access to sanitation.

Some progress has been made in providing electricity (30.1% of Mozambicans were connected in 2020 (World Bank 2022)). However, the country is still far from the sub-Saharan African average.

In 2023, 8.8% of the state budget was allocated to the health sector, the financing of which has stagnated for years in real terms, despite the COVID-19 pandemic. Mozambique's health sector largely depends on external assistance, which often comes in the form of off-budget project support.

No interference of religious dogmas

9



1

Basic administration

5



1

Access to justice still remains a challenge for most Mozambicans living outside the capital, since 83% of lawyers reside in Maputo. Provincial and district court allocation does not correspond to the demographic profiles of the respective regions. The province of Zambezia, for example, has only 14 courts, although 17.7% of the population lives there, whereas Niassa Province, with 6.46% of the population, has 16 courts.

2 | Political Participation

Mozambique's 2004 constitution guarantees fundamental rights and civil liberties for all its citizens. The constitution protects the right of Mozambicans to choose leaders through universal, direct, secret and periodic suffrage, through referendums on major national issues and through permanent democratic participation in government affairs. The right to vote is also extended to the diaspora. The constitution safeguards a two-term presidential limit.

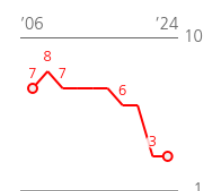
Since the 1992 peace accord, Mozambique has regularly organized presidential, parliamentary and provincial elections as well as elections in the independent municipalities (autarquias). District elections are scheduled for the first time in 2024. Introducing this new administrative electoral level is an obligation enshrined in the last peace agreement between RENAMO and the Mozambican government in 2019. But it seems that the government is currently considering postponing district elections, since it does not consider conditions conducive.

Instead, it has created, without consultation, 12 new autonomous municipalities, increasing their number from 53 to 65.

From one electoral cycle to the next, the quality of elections in Mozambique has deteriorated. Violent clashes, infringements on the right of assembly for all parties and a continuously imbalanced playing field have become characteristic of the country's electoral processes. Observers stated that the 2019 presidential, parliamentary and provincial elections were the worst and the most blatantly rigged to date. Large-scale electoral fraud started with the registration process and implicated the National Election Commission (CNE) as well as the administrative body, the Technical Secretariat for Elections (STAE). In opposition strongholds like Sofala, many citizens who had lost their identity cards in the floods following Cyclone Idai had difficulty receiving new cards from the authorities or getting alternatives accepted. In the FRELIMO stronghold, Gaza Province, the voter rolls grew by 300,000 citizens in voter age (80% of the population/national average 47%) – an amount that did not correspond with the 2017 census and which led to the resignation of the director of the National Institute for Statistics, who declared that “he remains committed to professional ethics and international standards.”

Free and fair elections

3



The voter registration period for the new electoral cycle that began with municipal elections on October 11, 2023 was scheduled to begin on April 29 and run until June 3, 2023. These municipal elections will be followed by presidential, parliamentary, provincial and first-time district elections in 2024.

A new Electoral Commission (CNE) led by Anglican Archbishop Dom Carlos Matsinhe was established in 2021, followed by the appointment of a new director of the operative arm, the Technical Secretariat for Electoral Administration (STAE), in a public tender process.

In the last elections in 2019, 26 parties and two alliances registered. Three candidates ran in the presidential elections. Those in opposition to the ruling party faced obstruction and physical attacks during rallies. FRELIMO made extensive use of state resources for its campaign, disrupting the level playing field. An uneven playing field also existed in media coverage of parties and election campaigns, with more time allocated to the ruling party.

The main problem of Mozambique's democracy is a lack of separation of executive, legislative and judicial powers, the excessive power of the president, and the lack of separation between the state and the party in power (FRELIMO). Currently, despite the fact that the constitution establishes the separation of the three powers, in practice, all three are controlled by the ruling party and the president. The president of the republic, who is also president of the FRELIMO Party, and his government have absolute power over all state institutions. Thus, the party in power is conflated with the state as a result of its actions and oppression. The party itself promotes the idea that whoever "is not from FRELIMO and is not with FRELIMO, is not ours." This expression serves as a form of exclusion because the state is managed and controlled by FRELIMO, the parliament is managed and controlled by FRELIMO, and the judicial and economic systems are also managed and controlled by FRELIMO. FRELIMO does not criticize its rulers, and everyone is directed to follow the president's directives.

With his re-election in October 2019, President Nyusi consolidated this grip on state power and within FRELIMO. With a comfortable two-thirds parliamentary majority, his government enjoys unprecedented power to govern. He has also shrugged off increasing internal criticism of his handling of the security crisis in Cabo Delgado, overtly rigged elections and rampant political violence.

Ahead of the party congress in September 2022, he further strengthened his power and control over the state and FRELIMO through a cabinet reshuffle that installed close supporters in strategic positions, surrounding him with a team that would give his government new impetus.

Effective power to govern



Article 52 of the constitution guarantees every citizen the right to associate freely, although organizations pursuing xenophobic, racist or violent objectives are not allowed. Article 53 enshrines the right to establish and join political parties. In practice, most social groupings are organized as associations and are regulated by Law No. 8/91, which details the right to free association, as well as by the relevant articles in the Civil Code.

In the case of Lambda, the organization for the rights of homosexuals (LGBTQ+ community) and transsexuals, the Constitutional Council ruled in 2017 that it is an infringement on fundamental rights to withhold legalization of the organization on moral grounds.

Article 51 of the constitution assures the right of citizens to protest. As regulated by Law 9/91, activists are requested to inform authorities about their plans. However, in practice, authorities often interpret the request to inform as an obligation to seek authorization. Particularly in times of election campaigning, the rights of opposition parties are infringed in this way. Moreover, civil society protests have not been allowed, except for demonstrations by social groups belonging to the ruling party.

Election observers noted that the freedom of assembly and free movement of opposition parties have been regularly violated during the 2019 election campaign.

The interpretation of the law on the right to protest has become even more restricted outside the electoral cycle. In 2022, various protests were prohibited, including a youth protest against toll road fees around Maputo (January). In July, a protest against rising living costs was dissolved by the sheer presence of police.

Amidst a growing climate of threats and attacks against journalists and critical voices, a new amendment to the Mozambican Penal Code introduced by parliament in July 2019 in order to protect privacy may be used to threaten freedom of expression. The law criminalizes privacy infringements via mobile phones, as well as the publication of images or videos without authorization by those recorded or photographed.

The proposed law on social communication circulating in parliament since 2020 goes even further and proposes curtailing all broadcasting of information by international channels (except for sports, music and soap operas). It also proposes restricting the presence of foreign correspondents to two per media outlet. A social communication law, about which a consultation process with human rights institutions and media outlet representatives has been conducted, foresees establishing a monitoring and regulatory body under government control, which would simultaneously be in charge of accrediting journalists and issuing media operation licenses. Critics fear that this could curtail press freedom and have requested the establishment of an independent institution.

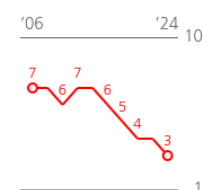
Association / assembly rights

3



Freedom of expression

3



With the start of the conflict in Cabo Delgado, journalists' access was restricted, and their freedom to report on events in conflict zones was infringed upon. Journalists fear that the new law on terrorism (13/2022) could be used to intimidate the free press. In 2022, a former journalist for Germany's Deutsche Welle was detained in Cabo Delgado on terrorism charges. Although he was later released, the case documents that police perceive journalists as suspects.

Against all odds, Mozambique still has a vibrant media sector, although journalists lament that the quality and diversity of reporting have suffered over the last couple years. Public media outlets, in particular, use most of their capacity to report on official government events and hardly find time or the resources to undertake proper investigations.

It is, therefore, no surprise that Mozambique dropped in the global press freedom index from position 108 to 116.

3 | Rule of Law

When President Nyusi publicly announced the pardoning of young men charged with instigating terrorist attacks, he stirred a heated public debate. De facto, he usurped the authority of parliament, which is the only institution in Mozambique with the privilege to grant amnesty. But he had also interfered with the judicial process, as those young men had not yet received sentences.

What applies to the horizontal separation of powers equally holds true to the vertical separation. Decentralized power structures remain dependent on the central level, financially but also politically, as governors are elected first on the party list. Thus, whoever wants to remain in his position needs to assure the support of the party nomenclatura.

The judiciary's financial and material dependence on the government exacerbates its weakness, which is also packed with political appointees.

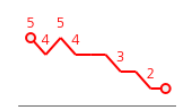
The independence of the judiciary in Mozambique is mainly tainted by the lack of separation of powers and political interference in the form of undue direct and indirect influences, inducements, pressures, threats or interferences. Membership in the ruling party is a de facto prerequisite for access to public administration and any career in the justice system.

But also institutionally, the system and its independence remain weak, as neither the inspector of the judiciary as an internal control organ nor the Conselho Superior da Magistratura Judicial, the organ in charge of organizational and disciplinary measures pertaining to judges, magistrates and attorneys of state, have sufficient financial and material resources, including human resources.

Separation of powers

2

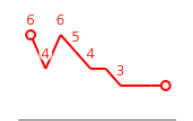
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Independent judiciary

3

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The system for financing the judicial system severely limits its independence. Courts not only depend directly on the state budget but also on resource allocations and priorities defined by the government and not by the courts themselves. In 2022, the president of the Supreme Court and the president of the Constitutional Council both demanded an independent budget for the judiciary equivalent to the one parliament manages. The implications of this financial dependency became prominent in the new wage law for the public sector that came into force in 2022. The intention of the law was to harmonize various salary levels across the public sector.

Only some state institutions, such as the president, the prime minister, cabinet ministers, members of parliament and the judges of the Supreme Court, feature in the law as sovereign. All other judges are treated like technical experts in the state administration.

Impunity remains a serious problem in the judicial system. It is related not only to weak capacities but also to existing levels of political influence and corruption. Mozambique's judiciary has a reputation for being highly corrupt. Trials for minor crimes can usually be circumvented by bribing judges or judicial workers to favor the accused.

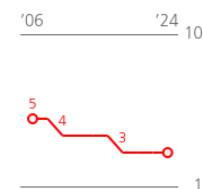
Over the years, the public has recurrently seen public officeholders put on trial for mismanagement, embezzlement of funds and corruption. Former Minister of Labor Helena Taipo was sued for kickbacks in relation to INSS and construction contracts. Former Minister of Transport Paulo Zucula was sentenced to prison for his part in a corruption scandal involving the Brazilian company Odebrecht (but has been released).

The latest showcase has been the publicly held trial of 19 individuals involved in the hidden debt scandal. Among the accused were the former head of the economic department of the national intelligence agency, Antonio Carlos do Rosario, and one of former President Guebuza's sons, Ndambi Guebuza. Both, along with nine others, were found guilty on charges of embezzlement, abuse of power, money-laundering, bribery and blackmailing. They were sentenced to 10 to 12 years in prison. Some observers see the fact that Guebuza's son had to stand trial and that the former president had to testify in court as indicators of a more courageous and self-conscious judiciary trying to demonstrate its independence.

The main infringements on civil liberties during the reporting period were in relation to freedom of expression and press freedom. Intimidation and arbitrary detentions of journalists happened frequently. But there is also an overall climate of fear that has emerged. Social activists, academics and human rights defenders increasingly prefer to remain silent about bad governance and corruption among the ruling elite. Terms such as "esquadros de morte" (death squads) or "Bairro Chiango" (a suburb renowned for human rights violations) have become household words for terror and violence that the state at least tolerates. The number of hijackings has increased in recent years. Often, police agents are reported to be involved in those criminal activities.

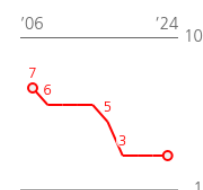
Prosecution of office abuse

3



Civil rights

3



In the conflict-ridden province of Cabo Delgado, unlawful killings by security forces (state and private contractors, as well as terrorists) have been documented. Arbitrary arrests and detentions of civil society activists and journalists frequently take place in the northern provinces. National security forces commit human rights violations fighting insurgents in Cabo Delgado with impunity. Thus, the population not only fears the brutal attacks by militants but also retaliations by security forces directed against militants and communities suspected of collaboration.

According to the law, all citizens have the right to access justice and equal treatment. But economic conditions and citizens' social positions influence access to justice. Despite the increase in the number of courts and the expansion of the Institute for Sponsorship and Legal Assistance (IPAJ) throughout the country (an institution that assists citizens free of charge), obtaining access to a lawyer is still very difficult for ordinary citizens. The majority of citizens who can access lawyers are citizens with economic resources or who occupy a privileged position in society.

4 | Stability of Democratic Institutions

The absolute majority of FRELIMO in parliament limits control over a FRELIMO government. The opposition, holding 60 (RENAMO) and six (MDM) seats (out of 250), can criticize but without consequences. With a proportional electoral system, members of parliament are accountable and loyal to their party but not really to their voters. Thus, output performance is not a priority.

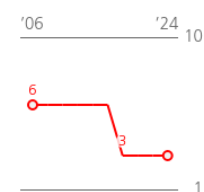
Parliament engages with stakeholders in public consultation processes on certain law initiatives. However, it remains opaque why it does so in some cases but not in others. Overall, it takes a long time for legal initiatives to be finalized and adopted. More than two years seems to be more of the norm than the exception. Parliament lacks oversight in relation to legislation implementation (capacity and impact).

The number of pending cases in courts increases year by year, a reliable indicator of the judiciary's lack of capacity. In 2020, 169,043 court cases were pending, of which a total of 100,797 were stuck in district courts.

At the local government level, progress remains slow. The 53 self-governing municipalities lack the capacity to provide the services for which they are responsible at an acceptable level. Inadequate capacity among administrative staff, a lack of training and resources remain structural problems.

Performance of democratic institutions

3



FRELIMO, the ruling party since independence, has used the democratic framework, established after 1994, to foster its own interests. Democratic institutions are dominated and usurped by the party nomenklatura, leaving little room for others. The National Electoral Commission (CNE), the main organ responsible for organizing free and fair elections, remains under the scrutiny of an independent civil society. Irrespective of the fact that seven members of the political body and its current president come from civil society, how parties represented in parliament select those members leads to criticism and calls into question their independence.

All political actors committed to democratic principles and elections – albeit increasingly fraudulent – are organized. Considering its donor dependency, the Mozambican government and ruling party cannot blatantly violate the illusion that the country is a democracy. Donors remain committed to the previous donor darling, and particularly the United States is ramping up its support with an eye on natural resources and counterterrorism operations.

Although President Nyusi might have an eye on a third term, he has not taken bold steps toward staying in power as other African leaders have. In the past, FRELIMO as a party provided checks and balances on a president who might fall too much in love with power and be tempted to extend his term. At the last party congress, Nyusi initiated changes in the set-up of the party's decision-making organs, which could be an indicator of more to come. For the time being, intraparty decision-making still follows democratic principles.

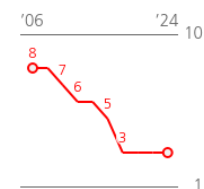
5 | Political and Social Integration

Important parameters for the state of the Mozambican party system changed in 2018. The sudden death of Afonso Dhlakama, who had led the party in a rather autocratic style for almost 40 years, brought about new and positive dynamics within RENAMO. Under the interim leadership of Ossufo Momade, the party attracted and welcomed back former members with political clout. The MDM mayor in Quelimane, Manuel Araujo, who, because of his popularity, had been seen with suspicion and sidelined by the Simango brothers, crossed the floor to join RENAMO. He ran as a RENAMO candidate in the local elections of 2018 and won. Venancio Mondlane, former rapporteur of the MDM parliamentary group, also crossed the floor and joined RENAMO.

The sudden loss of MDM's president and mayor of Beira in February 2021 further diminished the political capital of the party. Daviz Simango had been well respected as a political figure with integrity, charisma and true democratic convictions. Whether MDM will still play a role in Mozambican politics after the next electoral cycle is uncertain. Young voters who find RENAMO unappealing due to its past and seek an alternative have the newly founded Nova Democracia Party as an option.

Commitment to democratic institutions

3



Party system

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In 2022, FRELIMO celebrated its 60th anniversary. With its rank and file from the liberation struggle successively disappearing from the political stage, it becomes increasingly evident that FRELIMO 2.0 is in the making.

Clientelism serves to ensure the stability and durability of the ruling party and to destabilize other political parties. The ruling party has the advantage of controlling all essential resources. This allows it to attract relevant, influential social actors to its party with promises of direct or indirect benefits. This weakens other political parties without the resources to attract influential individuals, including those with representation in parliament such as RENAMO and MDM.

The trade union movement is the country's largest mass-based organization. It managed to extend its membership to just over 350,000 over the last two decades. This reflects increasing private sector employment, the expansion of unions into the public sector and efforts to unionize domestic and informal workers (one-third of union members are in the informal economy).

The campaign to unionize public servants encountered strong resistance from the government.

Although the trade unions recognize the need to become more relevant for society, their traditional acquiescence to the ruling party often tames criticism.

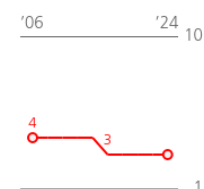
The largest employer umbrella organizations, the Confederation of Business Associations (CTA, 140 members) and the Mozambican Business and Industry Association (ACIS, 400 members) are particularly concerned about the government's borrowing in the domestic financial market, which reduces available capital for private sector investments.

Mozambicans strongly believe in democracy: 48.7% see democracy as preferable to any other system, although a large proportion of the population feels it does not make a difference in their lives which kind of political system they finally have. A significant majority of 59.3% disapproves of military rule. The need for a multiparty democracy is not perceived as urgent; 46.4% would accept one-party rule. Mozambicans are also willing to compromise on the quality of democracy (e.g., accountability), as long as the government gets things done. The majority of Mozambicans (66.4%) see their country as a democracy with flaws and 54.1% are dissatisfied with the way it works.

Particularly in the current climate in which the population suspects President Nyusi might seek a third term, Mozambicans have a strong opinion on the need for presidential term limits (60.2%).

Interest groups

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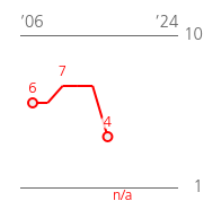
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Approval of democracy

n/a



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n/a

According to the Afrobarometer survey in 2021, 55.6% of Mozambicans trusted in parliament completely. Although they see problems in the electoral process, trust in the Electoral Commission remained at 50%. Trust in the ruling party was higher (62.3%) than in opposition parties (50.2%). Also, trust in the courts was surprisingly high at 62%. Particularly in rural areas, traditional and religious leaders are trusted most, with support close to 70%.

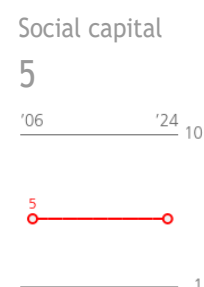
Among the most pressing problems for Mozambicans are not democracy/political rights but unemployment, access to water, health and transportation.

Although the government runs an ambitious social protection program (National Strategy for Basic Social Security 2016 – 2024), it is only able to cover 15% of those living in poverty. Informal self-help networks remain essential, particularly for those living in extreme poverty. Self-help organizations are the key actors in coping with challenges such as natural disasters, HIV/AIDS, orphans and rural-to-urban migration. Relations of social capital are essential in local and religious communities, extended families, friends and neighbors due to the immense informal economy and the need for microfinance initiatives.

However, social capital, and with it the level of trust among the population, are under strain by a) an increased political polarization since the conflict between FRELIMO and RENAMO became virulent and violent again; and b) a deteriorating security situation in the northern provinces. Already during the civil war, a decline in social capital had been noted and documented in selected case studies. However, no research data are available for the recent period of conflict and its impact on social capital.

Mozambicans have faith in traditional leaders (62.1%). Traditional leaders are seen as people who care about the needs of their communities, unlike political figures pursuing their own self-interests.

Mozambican society is in general characterized by high levels of tolerance for other ethnic groups, foreigners, religious beliefs and economic situations. A majority of respondents confirmed in the 2021 Afrobarometer that they never felt treated unfairly by other Mozambicans, while 55% believed that communities strive for diversity. However, the level of mistrust of others expressed in the survey is also striking: 78.6% felt they had to be careful when dealing with other people.



II. Economic Transformation

6 | Level of Socioeconomic Development

Poverty and inequality in Mozambique remain structural problems. Large segments of the population remain excluded in a society and economy that rely primarily on natural resource extraction. While there was some progress in the early 2000s, a noticeable increase in extreme poverty cases has occurred since 2015. In 2019, before the onset of the COVID-19 pandemic, the Ministry of Economics and Finance estimated that the rate of extreme poverty had risen from 55% to 60% of the population. U.N. data for 2021 indicates further escalation, with extreme poverty reaching 63%.

Several factors contribute to this situation, including a decline in foreign direct investment (FDI), natural disasters, the spread of violence in the north and a reduction in foreign assistance due to the government's hidden debt scandal. Since 2014, the government has not implemented a specific Poverty Eradication Program, as it had done in previous Poverty Reduction Strategy Papers (PRSPs). Instead, the government aims to address poverty within the framework of its Five-Year Program.

Extreme poverty remains particularly pervasive in rural areas, severely limiting the prospects of subsistence farmers. Poverty in Mozambique is multifaceted, affecting access to clean water, sanitation, electricity, health care, education, housing and basic consumer goods. According to U.N. data from 2021, 70% of the population experiences multidimensional poverty.

Mozambique, already positioned as one of the least developed countries (LDCs), saw a decline in its Human Development Index (HDI) ranking from 184 to 185 out of 189 countries between 2019 and 2021. The HDI score decreased from 0.456 in 2019 to 0.453 in 2020 and 0.446 in 2021.

In a predominantly informal economy that engages over 90% of workers, formal employment opportunities remain limited, with approximately 18,000 new positions created each year. The COVID-19 pandemic exacerbated this situation, reducing formal employment rates by 7.9%. Women, of whom only 6% are in formal employment (compared to 24% of men), face lower salaries than men and significant gender disparities. Mozambique's Gender Inequality Index ranking (136 out of 170 countries) reflects these challenges. They include low levels of education for women and girls, early child marriages, women's predominant engagement in the informal sector and widespread exposure to violence and sexual violence. Shockingly, 46% of girls aged 15 reported being victims of violence (domestic, sexual or emotional), with 70% experiencing molestation at school.

Question
Score

Socioeconomic
barriers

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Official U.N. data collected for Sustainable Development Goal (SDG) tracking reveals that Mozambique has a Gini index of 54, indicating one of the highest levels of inequality in sub-Saharan Africa.

Economic indicators		2019	2020	2021	2022
GDP	\$ M	15390.0	14156.9	15776.8	17851.5
GDP growth	%	2.3	-1.2	2.3	4.1
Inflation (CPI)	%	2.8	3.5	6.4	10.3
Unemployment	%	3.5	3.8	3.9	3.9
Foreign direct investment	% of GDP	22.0	22.5	33.6	14.2
Export growth	%	-9.5	-27.0	7.5	-
Import growth	%	-1.5	-22.4	2.8	-
Current account balance	\$ M	-2946.1	-3900.3	-3600.8	-6295.5
Public debt	% of GDP	99.0	120.0	104.9	95.5
External debt	\$ M	54658.8	59054.2	62819.1	-
Total debt service	\$ M	1993.5	1113.4	7240.9	-
Net lending/borrowing	% of GDP	2.2	-4.3	-2.4	-
Tax revenue	% of GDP	26.9	21.6	23.3	-
Government consumption	% of GDP	22.8	20.4	19.0	-
Public education spending	% of GDP	6.3	6.6	7.0	-
Public health spending	% of GDP	1.8	2.4	-	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	1.4	2.0	1.9	1.5

Sources (as of December 2023): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

7 | Organization of the Market and Competition

Mozambique's constitution, established in 2004 under Article 97, upholds market-based competition. The government aligns with this principle in its commitment to the African Continental Free Trade Area, although parliamentary ratification is still pending. The government's strategic goal is to internationalize the economy and the private sector, fostering increased diversification of exports and investments.

With the exception of sectors vital to national security, Mozambique welcomes investment across all business sectors. However, both foreign and domestic investments require government approval.

Price determination is predominantly influenced by market dynamics, leading to recurrent conflicts between producers and buyers, particularly in the agricultural sector, with wheat and rice.

Despite the government's efforts to attract foreign investments, numerous structural barriers continue to deter potential investors. These include complex taxation policies, corruption, challenges faced by small and medium-sized enterprises (SMEs) in accessing financing in an underdeveloped financial system, high interest rates, the absence of private land ownership and inadequate infrastructure in rural areas. Additionally, the local workforce often lacks necessary skills, and foreign workers encounter difficulties obtaining visas. Mozambique's labor laws prioritize worker protection, resulting in a backlog of labor-related cases in the courts.

The informal sector remains significant, constituting a substantial portion of the economy. Government data from 2022 indicates that 45% of the gross national product (GNP) is generated by the informal sector. Informality is particularly prevalent in agriculture. However, it also includes illegal commercial activities, leading to substantial revenue losses for the government, estimated at 30% annually.

Nearly eight years after Mozambique passed its competition law (10/2013), the Competition Regulation Authority (ARC) finally began its operations in 2021.

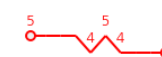
Mergers that meet the specified monetary or market share thresholds require mandatory notification of the ARC and prior approval from the ARC before implementation.

The ARC possesses the authority to investigate practices like price-fixing and market allocation among competitors. It can also address dominance practices, such as denying access to essential infrastructure. Infringements on competition regulations can result in financial penalties of up to 5% of the infringing parties' turnover in Mozambique for the preceding year.

Market
organization

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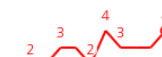


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Competition policy

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Within a year of establishment, the ARC garnered attention by imposing fines on the automotive dealer CFAO for unreported acquisitions that diminished car dealer representation, particularly for Toyota vehicles.

Additionally, the ARC took action against price fixing related to registration fees charged by Association of Driving Schools members, though in this case, it only issued a warning.

In response to the global oil and energy crisis, as well as rising transportation costs in urban areas, the government opted to use donor funds to subsidize the transport sector in an effort to stabilize prices.

Mozambique's primary trade policy objective is to create an environment that boosts the international and regional competitiveness of its domestic products. The government has expressed optimism about the African Continental Free Trade Area (AfCFTA) and its potential to strengthen the country's geostrategic position in trade services, as well as to improve transport infrastructure and corridors to facilitate trade. However, the government remains reliant on investors and donors to develop these infrastructure projects.

While Mozambique expects to benefit somewhat from the AfCFTA, it already applies zero duties to approximately 99.6% of goods from the Southern African Development Community (SADC) Free Trade Area. Tariffs on imports from other AfCFTA countries are also low. Agricultural products constitute a significant portion of trade. Mozambique must continue to protect this sector to avoid the potential negative effects of liberalization on its developing economy.

Additionally, the government's National Program to Industrialize Mozambique (Programa Nacional de Industrialização / PRONAI), launched in 2021, will impact the liberal trade framework. To promote, modernize and enhance competitiveness in industries like food and beverages, cement and petrochemicals (including molecules for fertilizers), the government plans to implement import substitution measures. These include raising tariffs on finished and semi-finished goods and encouraging their local production, either through industry-focused special economic zones or by fostering local inputs and public-private partnerships.

Mozambique's primary imports consist of manufactured goods, particularly machinery and equipment for natural resource exploitation projects, followed by food, agricultural products and fuel. The country only applies import quotas on chicken to protect its domestic industry. Import surtaxes are imposed on various items, including sugar, cement, iron and certain non-alloy steel products. In 2020, Mozambique's most favored nation tariff (weighted mean for all products) was 7.4%.

Liberalization of
foreign trade

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With earnings growth in 2022 ranging from approximately 4% to 6% compared to the previous year and with adequate levels of liquidity and capitalization, the overall health of the banking sector in Mozambique is solid.

Over the past decade, Mozambique's financial sector has experienced rapid growth, outpacing regional rates. This growth is evident not only in the increased number of banks, which rose from 12 in 2005 to 20 in 2021, but also in the significant improvement in financial inclusion among the population. The digitalization of banking services and financial platforms offered by telecommunications companies like M-Pesa by Vodacom and Mkesh by Mcel have driven this increase.

Toward the end of 2022, the government introduced Law 27/2022 to enhance consumer protection in the banking sector, with a particular focus on including rural residents. Additionally, improved transparency efforts are expected to result in the introduction of a Unique Bank Identification Number (NUIB) for each customer, for use across all bank accounts, regardless of financial institution.

Under pressure from donors and multilateral institutions like the World Bank, a comprehensive financial sector reform program has begun to yield results. New laws have strengthened banking oversight, such as Regulation 10/GBM/2018, which established a checklist enabling the identification of banking institutions that may pose a systemic risk to Mozambique's banking system.

Given the country's current economic and security volatility, most banks maintain a risk-averse approach, focusing on capitalization and resilience. Even so, the level of non-performing loans (NPLs) reached 10.02% in 2022, well above the 5% benchmark. Many analysts attribute this to the pandemic, which significantly impacted the trade sector, accounting for 2.7% of NPLs.

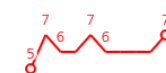
Furthermore, private sector credit remains relatively low at 14.35% compared to neighboring countries. Public sector credit dominates. Public financing requirements have been met through external assistance, public loans and domestic bonds. High interest rates, at 22.6%, may also contribute to the low level of private sector credit.

Despite improvements in recent years, the Bank of Mozambique remains a weak point in the financial system.

Banking system

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8 | Monetary and fiscal stability

In years past, the primary policy objective of the Bank of Mozambique (BM) had been to preserve the value of the national currency. The bank interpreted this mandate as a call to promote price stability, believing that stable inflation would contribute to a stable currency.

Due to the economic crisis and pressure from donors and international financial institutions, the central bank was compelled to implement a tight monetary policy to manage inflation expectations and the strength of the national currency, the metical. The metical maintained its value against the U.S. dollar, euro and South African rand in 2022.

As the economic impact of the pandemic became apparent, the BM injected \$500 million into the national financial market to underwrite imports of essential goods and services. The goal of this injection was to reduce exchange rate fluctuations and enhance price stability for goods and services.

However, a surge in global fuel and food prices, compounded by the war in Ukraine and the impact of domestic flooding on food production, led to an uptick in the inflation rate. In August 2022, inflation peaked at 11.7%, with the IMF forecasting an inflation rate of 8.3% for 2023.

Throughout 2022, the exchange rate of the national currency exhibited minimal fluctuation. Although data may appear sporadic, the Banque of Mozambique reported that the average reference exchange rate in meticais was \$1 = MZN 63.88 in January 2022, \$1 = MZN 63.86 in June of the same year, and \$1 = MZN 63.87 in December 2022.

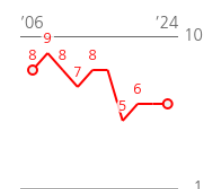
To regain access to international donor support, the Mozambican government has made efforts to align with expectations regarding fiscal governance and anti-corruption measures. Despite facing significant expenditure demands needed to absorb the repeated shocks caused by the pandemic and the terrorist threat in the north, the government has maintained prudent fiscal management. However, substantial financing gaps persist, leading to increasing reliance on domestic debt issuances.

As of 2021, total public debt decreased to 104% of GDP, down from 120% of GDP in 2020. Additionally, the overall fiscal deficit has improved, declining from 5.7% of GDP in 2020 to 4.5% of GDP in 2021. This improvement is attributed to controlled public expenditures, which accounted for 30.6% of GDP in 2021, down from 33.5% of GDP in 2020, as well as increased revenues from income taxes and non-tax sources. This positive trajectory continued into 2022, with the commencement of production of the first Liquefied Natural Gas (LNG) project in November.

Despite these favorable developments, Mozambique still faces a high risk of debt distress, both in terms of its overall public debt and external public debt.

Monetary stability

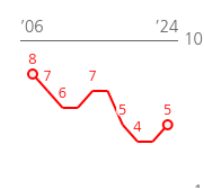
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Fiscal stability

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9 | Private Property

Mozambican law protects property rights in relation to buildings and movable property. Ownership of land remains the exclusive right of the state (Lei de Terras, 19/1997), but land-use concessions are given for periods of up to 50 years with the option to renew. These concessions take the place of land titles but are not accepted by financial institutions as collateral.

Irrespective of questions of ownership, Mozambique's land governance system is sound. This allows for strong protection of community-based land rights, community consultation with respect to partnerships with investors and secure rights to land for investors. But, as in many other cases, the de jure existing framework is insufficiently implemented. For example, only about 10% of the communities have registered property rights.

Since 2000, Mozambique has also had the necessary laws in place to protect intellectual property rights and allow for recourse to criminal or administrative tribunals in case of violations. However, enforcement of intellectual property rights by the responsible agency, the National Inspectorate for Economic Activities (INAE), remains sporadic.

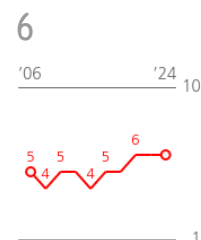
Industrial property protection is enshrined in Decree 47/2015. Mozambique has also signed the relevant international and regional accords for industrial property protection.

The privatization process has yet to commence. Thus far, the government has only expressed concerns regarding the two enterprises mentioned above. While policies and programs supporting the private sector do exist, their implementation lacks momentum. This applies equally to initiatives aimed at mitigating the impact of various shocks on the private sector.

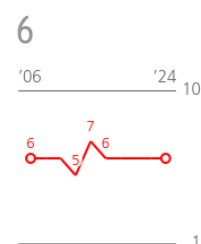
Within the private sector, the primary demands revolve around improving the ease of doing business in Mozambique. These include reducing the cost of financing, settling all government debts to companies, expediting the issuance of business licenses, enhancing the legal framework for small and medium enterprises, promoting the production of internationally certified products, creating incentives for increased industrialization and boosting agricultural productivity through fiscal reforms.

Currently, approximately 90% of registered companies fall into the category of micro, small, and medium-sized enterprises (MSMEs) and their main objective is integration into megaprojects.

Property rights



Private enterprise



In the energy sector, the government took a significant step in 2021 by relinquishing its prerogative, allowing for off-grid solutions and private investment in energy service provision.

Regarding state-owned companies and their privatization, the situation remains opaque and complex.

10 | Welfare Regime

Mozambique’s social protection systems encompass two distinct contributory schemes: one for public servants and military personnel and another for private sector employees. In addition, there is a non-contributory social protection system guided by the National Basic Social Security Strategy (ENSSB II 2016 – 2024).

The number of beneficiaries of the non-contributory system more than doubled between 2020 (944,101) and 2021 (2,090,204), underscoring the imperative for a post-pandemic social protection safety net. Specialized centers, referred to as “Unidades Sociais,” were established at the provincial level to cater to specific vulnerable groups, such as the elderly and neglected children.

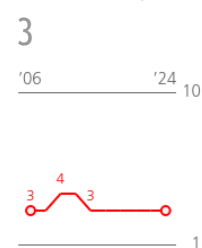
Poverty in Mozambique disproportionately affects women, as most households in need of support are headed by women. Currently, approximately 6.8% of Mozambicans are covered by existing social protection systems that offer support in various forms, including cash, in-kind assistance or participation in food-for-work programs. Individuals in need are integrated into public work projects (Programa Acção Social Productiva).

The funding for non-contributory social protection measures primarily originates from the state budget and the post-pandemic support fund, constituting approximately 1.09% of GDP – falling short of a targeted 2.23% of GDP. Of this funding, 41% is derived from state revenues, while the remaining 59% relies on contributions from donors such as the World Bank, the European Union and UNICEF.

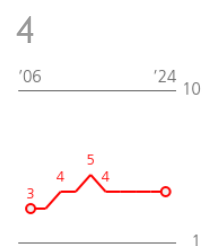
Article 66 of the constitution prohibits discrimination based on various factors, including race, sex, ethnic origin, place of birth, religion, educational level, social position and parents’ legal status or profession. Article 57 specifically addresses gender equality between men and women. Mozambique has 83.3% of the necessary legal frameworks in place to promote, enforce and monitor gender equality, as outlined in the Sustainable Development Goals.

Despite the extension of mandatory primary education to Grade 7 in 2018, more than 50% of girls tend to drop out of school around Grade 5, with only 11% completing secondary school and college attendance remaining as low as 1%. Consequently, only 54% of women above the age of 15 are literate, compared to 74% of men.

Social safety nets



Equal opportunity



In the realm of politics, Mozambique has progressively increased the percentage of women in decision-making roles, even without a formal quota system. In 2021, women held 42.4% of parliamentary seats, while approximately 32% of executive positions were occupied by women. Furthermore, three out of the 11 provincial governors are women.

However, women still face significant challenges in terms of access to land and funding.

For individuals living with disabilities, social and economic inclusion remains an ongoing struggle, despite Mozambique's adherence to relevant U.N. protocols and conventions and its constitutional protections (Articles 37 and 125). These protections encompass the right to be integrated into family and community life, access to education, work and social protection, as well as access to public places (established in 2008). Nevertheless, these instruments and laws are not widely known and primarily follow a welfare-oriented approach, providing limited space for effective empowerment of individuals with disabilities who aspire to take control of their lives. Additionally, access to technologies that could enhance daily life and improve labor market integration is limited, reaching only 6.6% of Mozambicans.

11 | Economic Performance

In 2020, Mozambique experienced its first economic contraction in three decades due to the pandemic. Cyclones in the preceding years halted economic growth in 2018 and 2019, highlighting the economy's vulnerability to climate-related shocks, which disrupt supply chains, damage infrastructure and harm agricultural production.

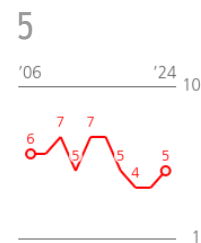
GDP growth rebounded to 2.2% in 2021, with the third quarter of 2022 showing a GDP rate of 3.6%. The services sector, including the revival of the financial services sector, stable agricultural production and growth in the transport and communications sector, primarily drove this recovery. However, the extractive industries and manufacturing sector performed below expectations compared to the previous year. Projections suggest the economy has the potential to grow by 5.7% until 2024.

GDP per capita based on PPP slightly increased from \$1,279 in 2020 to \$1,347 in 2021.

Remarkably, in 2022, Mozambique ranked first in attracting foreign direct investment (FDI) in sub-Saharan Africa when measured in relation to its GDP.

The labor market has yet to fully recover from the pandemic's impact, especially in the tourism and transport sectors, which typically provide formal employment opportunities and were severely affected. The extractive industries also faced setbacks due to supply chain and security issues. Youth unemployment remains persistently high, as indicated by a recent study from the University of Eduardo

Output strength



Mondlane. The study revealed that youth unemployment is not limited to those with lower skills; 26% of students with technical-professional education were unemployed, and 48% were employed in positions below their skill level.

Despite the economic shocks, revenue collection remained stable and made a solid contribution of 25.3% of GDP. Income tax revenues accounted for 10% of GDP. Considering the substantial informal economy, this figure underscores the success of tax enforcement measures and reflects an economy in the process of recovery. Megaprojects in the extractive and energy sectors contributed 10.6%.

12 | Sustainability

According to the Global Climate Risk Index, Mozambique is the most vulnerable country in the world. This vulnerability was starkly illustrated when Cyclones Kenneth and Idai struck Mozambique in the same season, affecting over 2.5 million people. Subsequently, Cyclone Gombe in March claimed the lives of 60 Mozambicans. Climate change has undeniably become an integral part of daily life for Mozambicans.

President Nyusi's declaration ahead of COP27, in which he positioned Mozambique as the AU champion of natural disaster management, also underscored the country's increasing focus on environmental concerns in policymaking. Mozambique's National Determined Contributions (NDCs) not only commit to reducing gas emissions by 40 million tons of CO₂ between 2020 and 2025, but also integrated this commitment into its National Development Plan. During COP26, Mozambique's prime minister announced the ambitious goal of meeting 62% of the country's energy needs through renewable sources by 2030.

However, Mozambique faces a paradox, as it has built its development model on gas extraction and currently relies on coal mining. Despite ratifying the Paris Climate Accords and pledging to transition to cleaner energy sources, the country's economic policies continue to hinge on carbon product exports.

In alignment with the Sustainable Development Goals (SDGs), the government has committed to achieving universal access to affordable and sustainable energy by 2030. Meeting this commitment would not only improve access to electricity but also reduce reliance on firewood and coal for cooking in peripheral and rural areas, addressing forest degradation.

In 2021, Mozambique's efforts to combat climate change received support from the World Bank's REDD+ Program, which aims to reduce emissions from deforestation. Additionally, the country benefited from the Forest Carbon Partnership Facility, receiving \$6.4 million.



In the 2023 state budget, a significant portion, 26%, is allocated to education. The Strategic Plan for Education (2020 – 2029) outlines an ambitious and comprehensive framework. However, despite years of dedicated efforts to improve basic education, Mozambique continues to grapple with challenges. While enrollment rates have notably increased, currently standing at 94%, the ability of students to read remains a concern. Shockingly, only four out of every 100 primary school graduates possess this crucial skill. Research indicates that a student completing Grade 7 in a Mozambican school would have knowledge equivalent to that of a Grade 4 student in other regions. Furthermore, only 35% of students progress to secondary education, with a high overall primary school dropout rate of 15%, aligning with the African average.

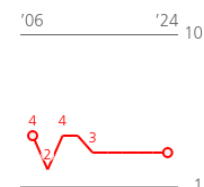
The quality of education and teaching materials became a topic of public debate in 2022 due to social science books for 6th graders containing graphic illustrations that portrayed Mozambique unfavorably in the context of southern Africa.

In terms of vocational training, the Institute for Vocational Training and Labor Studies Alberto Cassimo (IFPELAC) is the largest provider in Mozambique. While IFPELAC has made efforts to enhance the quality of training in fields in demand in the labor market, such as construction, electronics and auto machinery, as well as provide training for trainers, it still falls short of meeting labor market needs.

In the realm of science and technology, Mozambique faces challenges related to outdated policies and insufficient support for emerging researchers. Both the Science, Technology, and Innovation (STI) policy from 2003 and the STI strategy from 2006 are outdated, particularly regarding inclusion, climate change, and the information and communications technology revolution. For the two strategically important sectors of the economy, oil and gas and agriculture, the government must develop programs that equip engineers with skills spanning entire value chains, that support research to enhance crop resilience and food security, and that contribute to climate change adaptation measures.

Education policy /
R&D

3



Governance

I. Level of Difficulty

Structural difficulties such as extreme poverty, low levels of education and the lack of an adequately trained labor force, as well as the lack of an infrastructure that would attract FDI and promote economic development, have impeded Mozambique's development since the end of the civil war in 1992. Recently, the country has endured regular natural disasters such as devastating cyclones, which destroy infrastructure and lead to heavy flooding. However, with the exception of the latter, the government of Mozambique, which has been in the hands of the same ruling party since independence, had manifold opportunities during decades of impressive economic growth and almost unconditional donor trust and support to address these challenges in an efficient and coordinated manner.

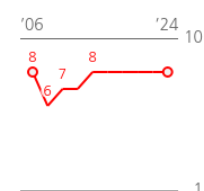
Mozambique enjoys a strategic location at the southeastern edge of the Indian Ocean and a third of global shipping traverses the Mozambique Channel. Mozambique's deep-water ports are prime assets as they also allow landlocked neighboring countries to gain access to global trade by sea. However, even 30 years after the civil war, Mozambique's transport infrastructure remains poorly developed. In the past, links to port facilities have relied on donor support and private sector engagement. Mozambique has one of the lowest road coverages on the continent, ranking 46th out of 54 countries. In rural areas, only 33% of the population live within two kilometers of an all-season road.

Mozambique has one of the largest natural gas reserves in the world and critical mineral reserves essential to technology development. However, both can be more of a curse than a blessing. Despite its commitment to a clean energy transition, the government continues to extract and export coal and has built the development of its economy around LNG exploration. In consequence, the economy lacks diversification. Even raw, materials-based value chains and skills development connected to natural resource exploitation remain underdeveloped.

Mozambique is the African country most vulnerable to climate change, according to the Global Climate Index. Climate change impacts its economy, threatens its food systems and strains its social protection systems and social cohesion due to widespread internal migration. Cyclone Idai alone led to a contraction in GDP by 12.9% in 2019 and the damage was estimated at \$3 to 4 billion.

Structural constraints

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Climate change will not only bring more tropical storms and flooding, but it will also impact food security through droughts that are expected to hit the southern parts of Mozambique.

In 2022 alone, 900,000 people were displaced by the cyclones that hit Zambezia, Tete and Nampula Provinces. Over 735,000 people fled their homes in Cabo Delgado Province due to the Islamist insurgency. The widespread displacement of populations strains host communities and may aggravate conflicts over scarce resources as 60% of Mozambicans still live in extreme poverty.

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

A second group can be characterized as issue-based (e.g., health, climate change, poverty reduction) and is also mainly service-oriented.

In the urban sphere, and mainly in Maputo, there is a third group of elite-based, academically oriented organizations. They are interlocutors for many donors and enjoy international support.

Many organizations organize around platforms that aim to hold the government to account, participate in official dialogues and uphold citizen rights. Particularly this segment of civil society seems to have become more vocal and outspoken during the term of President Nyusi. Often, the platforms have developed dynamics of their own and imply the risk of competing with their own members for funds and influence.

Currently, debates are heating up about an NGO law that the government has proposed. The cited motive is, as in other cases on the continent (e.g., Angola), to prevent the instrumentalization of non-profit organizations for terrorist activities and their financing, or for money-laundering. It entails reporting activities to a line ministry. It also prohibits the use of funds for activities other than those initially approved. The law is perceived as an instrument to silence critical NGOs and seen as an attack on the fundamental and constitutionally enshrined right of freedom of association. A first exchange between NGOs and the government, represented by the National Director for Constitutional and Religious Affairs, led to frustration in civil society when a government representative brushed off demands for clarifications and transparency concerning the law's content.

Civil society traditions

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Although the violent conflict with RENAMO seems to have come to an end with the demobilization of the last armed militants in 2022, the limited space for expressing opinions that criticize FRELIMO creates an atmosphere of political asphyxiation. As FRELIMO uses newly created legal frameworks and illegitimate means (harassment, intimidation, electoral fraud) to maintain its dominance, it runs the risk of exacerbating lingering frustrations. The lack of channels to air and address such frustrations may further undermine peace and stability in Mozambican society. How mineral resource exploitation is managed not only raises urban concerns about the benefits FRELIMO cadres are able to generate for themselves. It also causes grievances among local communities that lose access to land, are marginalized from these projects, and have to deal with the harm done to their environments. A prominent example is the Moatize coal mine in Tete Province operated by the Brazilian company VALE, which pulled out unexpectedly after 10 years.

Although the Islamist insurgency in the north spreads terror and violence in the name of Islam, the root causes of the conflict are not religious but related to the socioeconomic marginalization of the northern provinces. With external military assistance from Rwanda and the SADC community, territory held by terrorists has been liberated, and the latter had to change their strategy. They operate now in small cells, performing hit-and-run operations widely disseminated on social media networks to enhance the spread of terror and to project strength they may no longer have.

However, as long as the root causes that cause new adherents to want to join are not addressed and the logistical supply chains for arms are not cut, the conflict may linger on for the next couple of years.

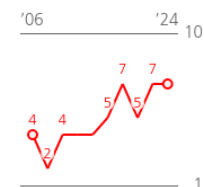
II. Governance Performance

14 | Steering Capability

It is currently very difficult to evaluate the government's priority strategies. The greatest concern has been the need to repress terrorism in Cabo Delgado, which makes the greatest investment in the military sector. The second most visible priority area is agriculture, through the SUSTENTA project, which aims to modernize family farming and increase productivity. This project included the investment and distribution of agricultural inputs to the farmers covered, including tractors, trucks, seeds, etc. Although these projects had some satisfactory results, they do not seem sustainable. The whole production process still depends on natural conditions, the farmers who receive direct investments are not trained, and there is no clarity about the destination of the produce, which continues to be very difficult to sell due to a lack of access roads.

Conflict intensity

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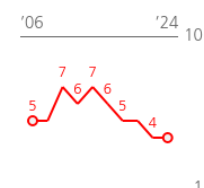


Question

Score

Prioritization

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Investment in entrepreneurship has been more of a mechanism to solve the problems of terrorism in Cabo Delgado than a priority or sustainable strategy. The initiative consists of the distribution of employment opportunities in various areas, but it is unclear whether the people receiving these kites are business graduates.

For any government in Mozambique, setting priorities is constantly challenged by the country's vulnerability to natural disasters and the ongoing terrorist insurgency in the north. Both factors impact not only developmental goals but also interfere with realizing economic megaprojects and impede FDI investments. In addition, with an economy mainly built on natural resource extraction, Mozambique exposes itself to external economic shocks.

Mozambique's agricultural sector is not only the backbone of the economy in terms of employment but also strategic to food security.

In its presentation of the Economic and Social Plan, the government defined as one of its key objectives the rentability of state-owned enterprises. Although these are certainly a burden, the creation of youth employment opportunities would appear to be an equally pressing goal.

With 500,000 young Mozambicans entering the labor market each year, job creation and support for entrepreneurship should feature high on the government's agenda, and this should include a legal framework that is conducive to doing business.

In general, Mozambique lacks a solid, comprehensive development strategy that is not overambitious but emerges from a data baseline and defines goals and indicators against which progress can be measured. Unfortunately, the government's five-year plans are either overambitious or contain a lot of prose that is difficult to operationalize.

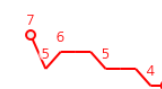
After the "hidden debt scandal," the government had to demonstrate it had the will to address an environment conducive to bad governance and corruption. A comprehensive legal framework was introduced to tackle governance and corruption in the financial sector, in the administration of justice, as well as in the management of state-owned enterprises. In order to regain donor trust, good governance should have been at the center of any government action plan.

However, the governance and anti-corruption framework is not consistently or comprehensively enforced. The insufficient implementation of existing legislation and regulations undermines the rule of law. Market regulation continues to be marked by excessive complexity and opaqueness, thus creating conditions that can disguise conflict of interest. In the area of fiscal governance, oversight of state-owned enterprises and public institutions remains fragmented and incomplete. Debt management is weak and lacks transparency.

Implementation

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Education, job creation, infrastructure and rural development featured highly on President Nyusi's agenda right from the beginning. But neither more funding nor more teachers improved the quality of education in Mozambique. Agricultural productivity has not improved. Nor has the infrastructure needed for further economic development been implemented.

Remaining stagnant, development has been further jeopardized by natural disasters, the absence of donor support over a couple of years, a lack of FDI and public investments and demographic growth.

Policy implementation in Mozambique remains weak because of a lack of political will in some cases, overlapping institutional mandates in others, and silos of responsibility in yet others.

In the field of security and defense policy, the government or, in this case, President Nyusi, has proven to be resistant to advice for years. Thus, Nyusi aggravated the situation in Cabo Delgado by declining military support from neighboring countries.

When it comes to increasing the competitiveness of Mozambique's economy and tapping into the potential for a digital economy, policies seem to be outdated. They are aimed toward automation instead of the digital inclusion of Mozambicans into the economy.

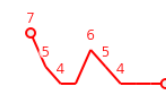
With development assistance returning, the government can draw again on external expertise, thus enhancing its own capacities. Donors will monitor and evaluate not only the implementation of their projects but will also review policy processes and policy implementation. However, as the past shows, this does not necessarily translate into better governance performance.

The ruling elite has learned to play the game of donors to their own advantage and clientelist interests. As long as donors are more interested in implementing their projects and ticking boxes than in holding the government accountable for taking action, not much will change. The ruling elite will most likely find legitimacy again through another electoral cycle.

Policy learning

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15 | Resource Efficiency

State expenditure for 2023 has been set at 35.8% of GDP and is lower than in 2022 (40.1%).

Of concern remains the high percentage of operating costs (67.1%) programmed in the 2023 budget, of which 58.5% are staff expenditures. Of the state budget, 19.1% is allocated to investment expenditures. While public investments are in decline and their management needs strengthening, expenses for public service staff increase.

The fiscal deficit improved to 4.7% of GDP in 2022 (7.2% in 2020). An increase in fiscal revenue (25.7% of GDP) was accompanied by increased government expenditures due to the public sector wage adjustments. Public sector wage adjustments are also meant to enhance the efficiency of service delivery. Revenue volatility remains a feature of the fiscal sector. Natural resource revenues need to be integrated into the overall fiscal framework.

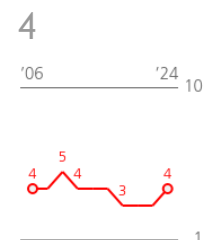
At the end of 2022, the government proposed in a draft law to set up a Sovereign Wealth Fund meant to provide a framework for the transparent, accountable management of resource exploitation revenues. Contrary to the ideas circulating when the government was in desperate need of securing funding and wanted to please donors, the fund would, in its current configuration, only receive 40% of the revenues in the first 15 years and then 50% thereafter. In previous drafts, the fund would have received 50% in the first 20 years and 80% subsequently.

Public debt levels remain high at 102.9% of GDP (2022), of which 77.6% are external debts.

With renewed budget support from the World Bank, the IMF's Rapid Credit Facility and a budget grant from the European Union, in addition to domestic short-term treasury bills, budget financing needs seem to be covered for 2023. The Special Drawing Rights allocation in particular reduced pressure on the debt market and interest costs.

The \$200 million loan Credit Suisse provided to Mozambican government officials had to be written off by the bank, in addition to \$475 million in fines (Credit Suisse staff had been bribed as well). So far, the government of Mozambique has navigated the various settlements with regulators in the United States, the UK and Switzerland well.

Efficient use of assets



At the height of the debate concerning the efficacy of aid, when Mozambique was considered a donor darling, coordination among donors was lauded as a model. With the shake-up of the donor landscape by the “hidden debt scandal,” coordination also declined. Donor coordination that would manifest in policy approaches has not been seen since then. Coordination takes place on the operational level via, for example, the Coordination Council for the Management of Disasters, which represents various ministries and institutions. Inter-cluster coordination also remains in the humanitarian sector. Currently, the main competition for resources exists between the security sector, disaster management institutions and social services. But fragmented cluster approaches impede the development of a coherent government approach due to interconnected, interdependent problems.

The government noted in its Voluntary National Review (VNR) of the SDGs that coordination among different partnerships and financing arrangements needs improvement to enhance efficiency and effectiveness in a context of scarce resources. Its self-criticism also encompasses the need for an improved national strategic and operational planning system, which would also indicate a management tool for the national SDG indicator framework. The government likewise acknowledged the need to strengthen local participation mechanisms in order to further its development agenda.

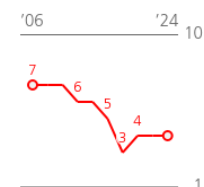
A first step in implementing its decentralization policy was the creation of the National Coordination Council (Decree 4/2020) and its subordinate bodies of the Provincial Coordination Council. The councils are composed of provincial decentralized governance bodies, local municipalities and state representation bodies in the provinces.

So far, decentralization in Mozambique has been more of a devolution than decentralization in the sense of creating truly autonomous, financially independent entities. For the ruling party, it has been more a means to reinforce state control and party influence than an instrument to improve the provision of public services.

Mozambique’s expired Anti-Corruption Strategy (2006 – 2010) was never updated with a new version. Instead, the Strategic Plan to Fight Corruption and the Public Administration Reform and Development Strategy (ERDAP) was hailed as a milestone, although it was limited to strengthening the integrity of public administration. In 2022, the government presented a new Strategy for the Prevention and Fight Against Corruption in Public Administration (2023 – 2033, EPCCAP). The narrow focus on public administration can be seen as a weakness, as it excludes the private sector, which could be detrimental to prevention. The EPCCAP likewise contains no provisions for fighting corruption in the political sphere and among high-ranking officeholders. Neither public awareness of the new strategy nor whistleblower protection are featured in the proposed document. It seems that the opportunity to design a comprehensive national anti-corruption program will not be seized.

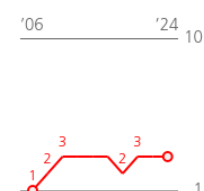
Policy coordination

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Anti-corruption policy

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Although fiscal transparency, in general, has recently increased, the government still maintains off-budget accounts that are not subject to audit or oversight. As state-owned enterprises also remain a black box, it is difficult to detect conflicts of interest.

Public officeholders are obliged by law (Lei de Probidade Publica) to declare their assets. Against those who do not do so in a timely manner or at all, punitive measures were introduced in 2020. However, as with many legal frameworks designed to address corruption, consistent, effective implementation is not possible due to the Office of the Prosecutor's lack of capacity and resources.

16 | Consensus-Building

In Mozambique, the ruling elite uses the fig leaf of democracy in order to mobilize donor support.

President Nyusi, who had started off with a reformist aura after years of autocracy under Guebuza, has revealed his true self. In order to secure his second term, the national elections were rigged strategically and way beyond anything observed in the past. His orchestrated re-election as party president at the 12th FRELIMO Congress, where he received 100% of the vote, raised eyebrows. It incited former President Chissano to remark that, with such overwhelming support, they must have counted the delegates plus their base.

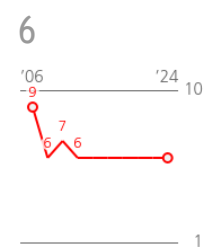
These rigged elections, the impunity with which politically motivated murders and violent attacks occur, and the shrinking space for independent and critical media voices reveal the true disposition of the president. Corruption is prosecuted only when it serves political interests. National security interests are used as an excuse for infringements on human rights and civil liberties.

Certainly, the FRELIMO choir will continue to sing about democracy for its donor audience. Knowing that neither unprecedented levels of corruption nor blatantly rigged elections have substantial, long-term consequences with regard to major donors, Mozambique's main political actors will continue to project a façade democracy that increasingly reveals autocratic features.

The governing elite's focus is promoting the interests of Mozambican businesses, many of which are in the hands of FRELIMO members. A recent study revealed that 30% of enterprises in Mozambique were established by people with a political background.

All political actors, including the opposition, endorse market economy principles but use them to their own advantage. Instead of focusing on SME development and job creation through the establishment of in-country value chains, the ruling elite puts all its eggs in one basket. The natural resource-driven megaprojects not only delink economic growth from the communities around them but also further disconnect the ruling elite from the population.

Consensus on goals



With a marginalized opposition and FRELIMO Party organs packed with Nyusi loyalists, it is difficult to identify pro-democracy reformers in the party with influence. FRELIMO has a highly secretive and centralized organizational culture. Considerable emphasis is placed on following the instructions of the hierarchy, as repeated purges of party members who have failed to follow orders have demonstrated. Anyone who challenges the current leadership commits political suicide.

Increasingly, the president is not portrayed as the affable managerial figure who took over in 2014, but as a ruthless politician who strives for power and who even managed to establish a grip on the party at the last congress. In the past, FRELIMO maintained internal checks and balances. But the outgoing generation of liberation fighters is giving way to a generation for which self-interest and clientelist politics are the norm and for whom the party is an instrument to achieve one's goals.

These days, promoters of democracy are found in opposition parties, academia and think tanks, civil society groups, and among activists and journalists. They depend on external funding for their activities and for their physical security. Although in the latter case, international backing may not always be a guarantee.

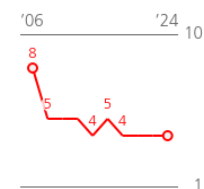
Any anti-democratic militants who defected from RENAMO were demobilized in 2022. The most prominent anti-democratic actors who challenge the system are the Islamist insurgents in Cabo Delgado. Because these have unclear objectives and opaque support and leadership structures, it is difficult to specify options for dialogue and co-optation or integration in the medium term.

FRELIMO was initially created as a national liberation movement. RENAMO drew its support mainly from the social and political cleavages within FRELIMO during the struggle for independence, while following some nationalist framework. After the war, these war-induced cleavages became a driving force behind the development of Mozambique's two-party system, manifesting as south versus center, the ethnic Shangaan versus the Ndau, and the centralized socialist state versus traditional rural authorities. Yet, though these cleavages played out in the party system, they were never institutionalized in the postwar political structure. The dominance of FRELIMO prevails even without rigged elections, as opposition parties, and particularly RENAMO, are not considered alternatives. A sound decentralization process that implicates not only the devolution of power to the strongest political force in a particular region, but also the transfer of resources, could be a successful strategy for moderating cleavages in Mozambican society. However, the political will for a proper decentralization process remains weak.

The DDR process for RENAMO veterans, which was an element of the last peace agreement in 2019, has experienced substantial delays since its beginning. Therefore, its effectiveness as an instrument for preventing future conflict cannot be assessed.

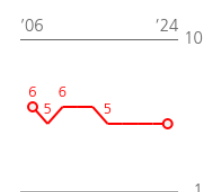
Anti-democratic actors

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Cleavage / conflict management

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With the new natural resource exploration projects, a new cleavage has evolved between a small group of Mozambicans benefiting from the deals and the communities where the projects are occurring, which are characterized by large-scale poverty. Despite a deteriorating security situation, Nyusi's government denied the real dimension of the threat Islamist insurgents posed for months in hopes of securing much-needed FDI for its projects.

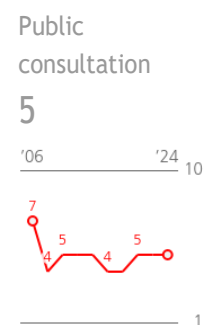
Over the last decades, the government has come to appreciate the input generated by civil society and established avenues of participation and dialogue with policymakers in development programs. However, this openness toward civil society organizations (CSOs) does not include critical voices emanating from traditional parts of organized society, such as the churches or the independent media.

By invitation from the government, the following formats have been established: the Open and Inclusive Presidency (PAI), which was a presidential initiative of Guebuza promoting evaluation of and consultation on the performance of district governmental institutions; the Development Observatory (OD) for the process of drafting and monitoring the poverty reduction strategy papers; as well as institutions for community participation and consultation (IPCCs), which are community participation mechanisms at the district level, composed of local councils, local committees and local forums. The National Development Observatory also became the main platform for thematic focus group discussions around Mozambique's 2020 VNR. Civil society was engaged in the VNR process and provided a specific report drawing on data from a survey on citizen perceptions. In the context of the 2030 Agenda, CSOs are also used for awareness-raising and undertaking advocacy work.

Civil society groups have the opportunity to participate in the joint revision conducted every year by donors supporting the state budget and government. In this case, CSOs can observe, although intervention is possible only by appealing to the donors.

In general, the efficacy and viability of consultative councils and development observatories remain limited. Also, the engagement of civil society with parliament and provincial and municipal assemblies is weak. Access to information, untimely notification of meetings, the politicization of the dialogue, and the weak representation of communities in consultative councils are striking weaknesses of the consultative structures.

In the peace negotiations between the government and RENAMO, civil society groups were allowed after they had placed their request (e.g., Parlamento Juvenil).



In October 2022, Mozambique celebrated the 30th anniversary of the Peace Agreement of Rome.

In his speech, President Nyusi claimed the recent DDR process that had demobilized about 90% and 5,221 RENAMO fighters who had taken up arms again in 2014 was a reconciliation success.

But for many who hold other political opinions, reconciliation encompasses more than just the integration of former fighters into communities. To the opposition, it is clear that the root causes of the conflict were never addressed, and political intolerance has gained ground in recent decades. That one can only obtain a public service position if one has a FRELIMO membership card and that even public tenders go to loyal supporters are considered obstacles to reconciliation. Integrating 46 ex-RENAMO combatants into the military and police is perceived as a fig leaf.

The Fund for Peace and National Reconciliation was established in 2014 after the agreement between RENAMO and the government to end hostilities only disposed of \$10 million for projects and was never replenished. When, in March 2022, the president asked his newly sworn-in minister for Veterans Affairs to revitalize the fund, his request sounded hollow since it had always been in his power to do so. But he never had.

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

17 | International Cooperation

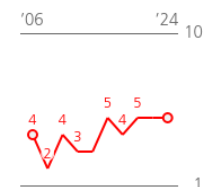
After most donors, bilateral as well as multilateral, had frozen their development assistance in the wake of the "hidden debt" scandal, international support is returning.

In 2020, the IMF extended Mozambique \$150 million under the Extended Credit Facility. These funds provide direct budget support, which had stalled completely. The credit line addresses, first and foremost, monetary and fiscal efforts to support economic recovery and reduce public debt and financing vulnerabilities.

Also, the World Bank approved in 2022 a \$300 million grant that aims to strengthen institutions and seeks reforms in three areas: a) enhancing the regulatory and institutional framework for sound, transparent resource revenue management (incl. publication of fiscal risk statements and debt reports covering Liquefied Natural Gas (LNG) and State-Owned Enterprises-related debt) and improving public procurement governance and transparency; b) improving the environment for doing business in Mozambique and reducing financial access constraints in order to foster private sector development; c) supporting Mozambique's climate commitments for greener and more resilient development.

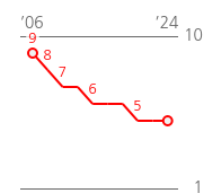
Reconciliation

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Effective use of support

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The very specific objectives of World Bank support tie in with the government's five-year development plan as well as the National Development Strategy (2022 – 2032).

Bilateral donors have provided support that is earmarked to a certain extent. For example, in 2022, the European Union provided €148 million for water and sanitation, energy efficiency and digitalization, entrepreneurship, culture and resilience in the north, as well as €45 million for food security and climate change resilience projects.

The government still depends on external support, as revenues from megaprojects are only slowly beginning to kick in. However, a scenario like the one during Guebuza's last term, according to which support by traditional donors was considered secondary and their conditions ignored as relations with Vietnam or China gained new momentum, certainly could materialize soon.

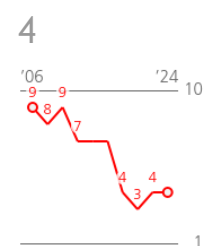
How Nyusi's government handled the economic crisis and the hidden debt scandal has temporarily discredited his presidency and government. Fraudulent elections also did not enhance his credibility. However, donor memory is short and dependent on project and staff cycles.

When various cyclones devastated the country and the COVID-19 pandemic hit, humanitarian needs increased tremendously. This brought donors under disbursement pressure and created a favorable position for the Mozambican government. Multilateral institutions were the first to reinstate their support. For them, macroeconomic stability seems to count more than good governance or respect for human rights and civil liberties.

Bilateral donors seem to be more concerned and cautious than previously. Although the U.S. government, for example, has identified Mozambique as a beneficiary country under its Global Fragility Act (GFA), the Biden administration remains alert to the potential risk of FRELIMO co-opting GFA funding and programs and using them during the electoral period.

In January 2023, for the first time in its history, Mozambique took a non-permanent seat on the U.N. Security Council. Its election to the council comes at a time when Mozambique can claim to bring to the table its own experiences of peace negotiations, but it is also not far from once again becoming an agenda topic due to the ongoing violence and terrorist attacks in the north. Thus, fighting terrorism, but also climate change and security, are topics that Mozambique seeks to pursue in its two-year term. It will be interesting to see how Mozambique positions itself and how this affects the dynamics of the three African (A3) countries on the council. The A3 usually aims to vote in a block. Mozambique, which has a long-standing relationship with Russia/Soviet Union, has replaced Kenya, which, particularly with Russia's war in Ukraine, has been an ally of the West. In the new composition of Gabon, Ghana and Mozambique, Ghana will likely become the odd one out in the African camp and

Credibility



Regional cooperation



the sole African ally of the West. Not only on the Security Council but also in the General Assembly, African states tend to abstain from voting on propositions that might lead to confrontation with Russia or China.

After dragging his feet on the SADC's engagement in combating the terrorist insurgency in Cabo Delgado, President Nyusi finally called for an extraordinary summit of the Double Troika of the SADC in May 2021. After a technical team of SADC experts traveled to Cabo Delgado and recommended a robust intervention force, comprising land, air and naval assets, the SADC Heads of State Summit in June 2021 agreed. The regional peacekeeping mission, the Southern African Development Community Mission in Mozambique (SAMIM), initially planned for three months, is still fighting alongside the Mozambican Defense Forces and their Rwandan partners. President Nyusi had called on Rwandan support in parallel with the SADC. Rwandan deployments were swift and, in the beginning, successful in pushing back terrorists in areas such as Mocimboa da Praia and Palma. However, it became evident that Rwandan troops are mainly protecting areas with vast natural resources. Recently, Rwandan troops were also deployed to regions with gemstone and graphite industries, which are vital for Mozambique's economy and tax revenues. The terms of Rwanda's engagement still remain opaque, besides EU financial support, which is public.

From the outside, relations between Mozambique and Tanzania seem good. During a presidential meeting in Maputo in September 2022, Nyusi and Samia signed two memoranda of understanding in relation to peace and security in the region. However, Tanzanian troops that are part of the SAMIM force have been accused of ignoring insurgents operating in their assigned corridor, turning the district of Nangade into a new hub for terrorist operations. At the beginning of the insurgency, Tanzania was accused of being too lenient toward terrorist groups, as the previous President Magufuli also eyed the exploration activities in the neighboring country with suspicion.

Relations with Tanzania are overshadowed by the pushback of Mozambican refugees violating the non-refoulement principle enshrined in the Geneva Convention. However, the Mozambican government did not escalate the issue but agreed to the re-deportation of thousands of refugees from Tanzania to the border of its Niassa Province.

In 2022, Malawi and Mozambique intensified cooperation and regional integration in the energy sector by beginning the extension of energy lines in the districts of Matambo/Mozambique and Zobuè/Malawi.

Strategic Outlook

The year 2024 holds immense significance for Mozambique's political landscape. The electoral cycle will start with the municipal elections scheduled for October 11, 2023, which will be followed by presidential, provincial and district-level elections.

RENAMO, in preparation for the 2024 elections, has been attempting to forge an election coalition, a strategic move aimed at challenging FRELIMO's entrenched dominance. However, breaking FRELIMO's current absolute majority will require more than just a willingness to cooperate among opposition parties.

Crucial to the outcome of the 2024 elections is the question of whom FRELIMO will present as its candidate. A successor for Nyusi will not merely reveal whether the party's influence, as a vital element of checks and balances, still holds sway and prevents him from running for a third term. It will also determine whether Mozambique follows the path taken by numerous other African nations in the past decade, gravitating toward autocratic rule led by a strongman and his loyal inner circle.

The main challenges facing Mozambique in the coming years include:

- Ensuring the existence of a democratic process for presidential candidacies is closely tied to the integrity of the electoral cycle. It raises concerns when an uncontested election for the party president results in 100% support. While incumbents may legitimately wish to play a role in selecting their successors, the process must adhere to democratic principles.
- Addressing human rights violations and a climate of intimidation and fear is of paramount importance and requires immediate attention. These violations are not limited to counter-terrorism operations; they are widespread across the country and occur at all levels. State security services must respect and safeguard citizens' rights as outlined in the constitution. The government should also act on observations and recommendations made during its Universal Periodic Review on Human Rights.
- Dealing with the underlying causes of violence in Cabo Delgado demands a comprehensive approach that encompasses security measures, community dialogue and development initiatives. While progress has been made in regaining control of occupied territories with the assistance of Rwanda and the SADC community, ongoing attacks and spillovers into neighboring provinces persist. Clear strategies and capabilities are needed to reestablish state control and ensure the delivery of services. It is insufficient for the government to merely ask internally displaced persons to return to their destroyed communities to create the appearance of restored peace and security.

- Dismantling organized crime networks is essential to security and economic growth. Mozambique has increasingly become a hub for organized crime networks to form mutually beneficial relationships with insurgents in the north. They also rely on support from well-connected and highly corrupt individuals who offer protection.
- It is important that authorities continue to fight corruption and impunity to demonstrate their commitment to the rule of law. The public trial of those involved in the “hidden debt scandal” sent a clear signal to both the donor community and Mozambican citizens that the government is committed to holding wrongdoers accountable. However, it is essential that this commitment extends to all cases rather than being selective.
- Investing in resilience and adaptation measures to mitigate the impact of climate change is crucial.

Mozambique is one of the most vulnerable countries in sub-Saharan Africa to climate change. Devastating cyclones and flooding have hit the nation repeatedly in recent years, with severe droughts forecast for the southern provinces.

- While extractive industries and megaprojects have been central to Mozambique’s economic development, transforming Mozambique’s economy through diversification is imperative. The growth potential of LNG projects in 2024 offers an opportunity for broad economic development. Mozambique’s economy needs integration into the global value chain in ways that exceed the role of its natural resources.
- In order to restore confidence and improve its creditworthiness in international capital markets, the government must confront its fiscal challenges and manage public debt responsibly. Despite some relief from new credit lines and grants, the fiscal deficit remains a significant concern, with over 70% of debts in foreign currency.