CPIA Detailed Report

Country: Mozambique

Exercise Year: CPIA Exercise 2023

Currency: Mozambican Metical (MZN)

City: Maputo

Income Group: Low income

Lending Category: IDA

Final CPIA Score: 3.296

(A) Economic Management

Cluster Score: 3

01. Fiscal Policy

Criteria Score: 2.5

1. Fiscal Policy

Score Type	Value
Draft Score	2.5
Reviewed Score	2.5
Second Draft Score	2.5
Final Score	2.5

Country Notes:

The Government of Mozambique is committed to medium-term fiscal consolidation, despite increased expenditures in the short-term, associated to external shocks and internal spending pressures. Such increases in expenditures derives mostly from the implementation of a new wage-bill, higher debt-servicing costs as well as associated-spending needs to address post-pandemic effects, humanitarian, peace building (including disarmament and reintegration of former opposition combatants), and military costs (conflict in Cabo Delgado), climate shocks and price effects continuing effects the tensions in eastern Europe on government partially subsidized sectors, such as fuels and wheat.

The gap between public revenue and expenditure remains high, although narrowing in the previous year. Revenues for 2022 reduced compared to the ones in 2021, from (25.7% of GDP to 24.2% of GDP respectively. Expenditure also reduced from 2021 to 2022, from 33.4% of the GDP to 32.9% of GDP. That led to a reduction of the overall budget deficit from -5.8% of GDP in 2021 to -4.6% of GDP in 2022, according to government report on annual expenditures and revenues, Conta Geral do Estado (CGE) 2022.

Fiscal revenue increased by 9.6% in the first half of 2023 compared to 2022 owing to higher income, and goods and services tax collection. From January to June this year, the State collected 146,797.6 million Meticais, corresponding to 41% of the annual forecast against 133,895.0 million Meticais recorded in the same period of 2022. Expenditure grew by 17.6%, in absolute values, from 2021 to 2022 due to the implementation of the new wage bill, public debt service and defense spending.

Overall, Mozambique's budget deficit averaged 3% of GDP over the period between 1991 and 2022, which was in the past four year financed in half by external debt and for the remaining half by internal debt budget support from multilateral institutions.

Overall operational expenditure accounts for 73.7% of total expenditures, equivalent to 26.7% of GDP. Investment expense accounts for another 17% (6.1% of GDP) of expenditures while financial operations accounts for the remaining 9.6% of spending (3.4% of GDP). The social sectors defined by the government as education, health and social action, both operational and investment, account for approximately a third of the spend (28.3%), a trend that has been repeated in the level of expenditures of 2021 and 2022. In nominal terms, the government has increased the number of resources to social protection, more than doubling its cash-transfer programmed from 2022 to 2023, to support families still suffering from the effects of COVID-19.

Mozambique's public sector wage bill remains amongst the highest compared to peers. It increased from 8.0% of GDP in 2008 to 15.8% (nearly 65% of total tax revenues) in 2022.

Mozambique's underperforming SOEs are said to be pressuring on expenditure, despite progressive efforts and positive results in improving the operations of its participated companies.

Defense and security forces accounted for 12.8% of budget of 2022, pushed by the need to address the escalating violent conflict in the northern province of Cabo Delgado, which caused around four thousand deaths and half a million internally displaced people, since 2017.

Overall, the COVID crisis reverted the process of fiscal consolidation that started in 2017 that saw external debt to GDP fell from 104.5% in 2016, to 89.4% in 2019 and the clearance of significant accumulated arrears (estimated in 1.5% and 1.1% of the GDP in 2018 and 2019). As a result, More recently, despite fiscal pressures, the debt to GDP reduced to 82% of GDP in 2022 compared to 109% in 2021, a substantial reduction of 24.7% mostly explained by the regularization of the accounting treatment of Area 1 and Area 4 assets in relation to ENH's balance sheet and the recovery of economic growth.

According to Moody's, "the credit profile of Mozambique (Caa2 stable) reflects high government indebtedness, and is likely to remain elevated over the medium term, and elevated liquidity risk that stems from its extremely constrained access to foreign currency funding". That has an impact on the non-extractive private sector capacity to potentially fund-raise with more competitive interest rates provided by foreign institutions. Moreover, the high-level of indebtedness and the share of the budget dedicated to serve its interest also limits the government capacity to pursue social and infrastructure development polices as well as to react with its own resources on catastrophes and emergency responses, such as Freddy Tropical Cyclones at the beginning of the 2023.

Official forecasts indicated that it would take three years for the country to return to pre-shock growth rates, with increases in GDP, and indeed in 2021 the country recorded growth of 2.2%, 4.4% in 2022 and according to the MTF Scenario (2024-2026) annual growth of 7.0% is forecast for 2023 (2.0pp above the PESOE 2023) supported on the supply side by the expected performance of the agricultural sector (4.7%), extractive industries (60.8%) construction (2.2%) and transport (3.5%) and on the demand side by exports (3.8%) and investment (6.3%).

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2022 IMF ECF's 2nd assessment

The resumption of the IMF’s ECF agreement with Mozambique has been a critical source of support for the country's economic reform program. The second review under the agreement indicates that targets for performance criteria (PC) on net international reserves, the PC on non-concessional external debt, and the indicative target (IT) on new external debt were met, however, PC targets for domestic primary balance (-30.6 from a PC/IT of 2.7) and domestic debt (281.5 from a PC/IT of 270) were missed by a significant margin. The PC on social spending (5.7 from a PC/IT of 5.8) was also slightly missed by a small margin. There was a temporary breach in the continuous target for not accumulating external arrears.

Several structural benchmarks were achieved, but the elimination of VAT exemptions was delayed until the end of 2023. Inflation was lower than expected, falling to 10.3 % in December 2022, mainly due to increased domestic food production and lower imported food prices. Additionally, stable fuel prices in the latter half of 2022 contributed to lower transport costs and reduced inflationary pressures.

Source: Government Budget Proposal 2023, Government's Public Debt Report 2022, Government's Mid-Term Fiscal Framework 2024-2026, IMF Article IV 2022, Budget Analysis Donors Group 2020-2021, Moody's, World Bank Macro Poverty Outlook October 2022

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That led to a reduction of the overall budget deficit from -5.8% of GDP in 2021 to -4.6% of GDP in 2022, according to government report on annual expenditures and revenues, Conta Geral do Estado (CGE) 2022.From the Revenues side,ExpendituresFrom an spending perspective, expenditure grew by 17.6%, in absolute values, from 2021 to 2022 due to the implementation of the new wage bill, public debt service and defense spending. Overall, Mozambique's budget deficit averaged 3% of GDP over the period between 1991 and 2022, which was in the past four year financed in half by external debt and for the remaining half by internal debt budget support from multilateral institutions.Overall operational expenditure accounts for 73.7% of total expenditures, equivalent to 26.7% of GDP. Investment expense accounts for another 17% (6.1% of GDP) of expenditures while financial operations accounts for the remaining 9.6% of spending (3.4% of GDP). 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Moreover, the high-level of indebtedness and the share of the budget dedicated to serve its interest also limits the government capacity to pursue social and infrastructure development polices as well as to react with its own resources on catastrophes and emergency responses, such as FreddyTropical Cyclones at the beginning of the 2023.Official forecasts indicated that it would take three years for the country to return to pre-shock growth rates, with increases in GDP, and indeed in 2021 the country recorded growth of 2.2%, 4.4% in 2022 and according to the MTF Scenario (2024-2026) annual growth of 7.0% is forecast for 2023 (2.0pp above the PESOE 2023) supported on the supply side by the expected performance of the agricultural sector (4.7%), extractive industries (60.8%) construction (2.2%) and transport (3.5%) and on the demand side by exports (3.8%) and investment (6.3%).Overall, the COVID crisis reverted the process of fiscal consolidation that started in 2017 that saw external debt to GDP fell from 104.5% in 2016, to 89.4% in 2019 and the clearance of significant accumulated arrears (estimated in 1.5% and 1.1% of the GDP in 2018 and 2019). 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02. Monetary Policy

Criteria Score: 4

2. Monetary Policy

Score Type	Value
Draft Score	4.0

Reviewed Score	4.0
Second Draft Score	4.0
Final Score	4.0

Country Notes:

The Government has been implementing a prudent monetary policy to control inflation. Annual average inflation increased from 5.7% in 2021 to 10.3% in December 2022, above the less-than-two-digit target. This was mainly due to food and fuel price increases driven by Russia's war in Ukraine. It is expected to decrease to 6.7% at end-2023, 6.5% in 2024 and further to 5.7% in 2025. . Inflation has already ceded in 2023 to 7.4% (12-month accumulated) by September 2023, given the prudent monetary instance of the Central Bank. On that, Tthe Monetary Policy Committee of the Bank of Mozambique (BoM) reduced the monetary policy interest rate (MIMO) by 400 basis points (bps) to 10.25% in July 2021 compared to 12.75% in 2020. As inflationary risks were on the rise interest rates increased gradually until they reached 17.25% y-o-y in August 2022 and has remained like this ever since. To counteract excessive liquidity in the banking system and mitigate the risk of inflationary pressures, the BM raised reserve requirements significantly. Specifically, increasing the reserve requirements for domestic currency liabilities from 10.5% to 39.0% and for foreign currency liabilities from 11.5% to 39.5%.

Even before COVID-19, the Central Bank started a gradual process of reducing interest rates, from 19.50% y-o-y by the end of 2017 to to 12.75% in March 2020, more than reverting the monetary tightening process started in October 2016, where interest increased 600bps to 23.25%. From March 2020 to March 2021, the Monetary Policy Committee reduced the interest rate for monetary policy (MIMO) by 250 basis points to 10.25% in July. In 2020, the Metical depreciated 21.7% against the US Dollar, breaking an almost three years period of exchange-rate stability that underpinned the Central Bank's capacity over the effectiveness of its monetary policy in 2020, following a global trend of currency devaluation from several countries and shows the country's policy of a fluctuating exchange rate.

In March 2021, Mozambique was the first country in the world to increase its interest rate for monetary policy, now at 17.25%, following inflationary pressures from imports of basic products, food and fuel.

The current account deficit (CAD) saw a significant increase in 2022, expanding to 41.4% of GDP from 23.6% in 2021, primarily attributed to a one-off platform import for the Coral Sul Floating Liquefied Natural Gas (FLNG) offshore platform. The Coral Sul FLNG is estimated at 25% of the country's GDP and higher fuel imports, respectively. Mozambique had relatively improved its external position as the current account deficit narrowed from 29.9% of GDP in 2018 to 23.6% in 2021, pushed by an expansion of exports and a reduction. This deficit was largely financed by FDI, private debt and international aid. Gross international reserves reached US$2.8 billion at end-2022.

Data: Bank of Mozambique (BdM), National Institute of Statistics.

03. Debt Policy

Criteria Score: 2.5

3. Debt Policy

Score Type	Value
Draft Score	2.5
Reviewed Score	2.5
Second Draft Score	2.5
Final Score	2.5

Country Notes:

The latest available Debt Sustainability Analysis (DSA) is from April 2022 prepared by the International Monetary Fund (IMF) and the World Bank Group (WB). The DSA concluded that Mozambique is in high risk of debt distress, but sustainable in a forward-looking sense. This assessment is an improvement relative to the last DSA (April 2020) and considers that, to a large extent, future borrowing and government guarantees reflect State participation in the sizable LNG developments. This is further emphasized by the drop in Public and Public Guaranteed debt to GDP to 102.9% in 2022 from 107.0% in 2021, which indicates a positive trend, with a projected decrease to 81.8% in 2027. The PV of debt-to-exports ratio is expected to increase to 110% in 2026, and then significantly decrease to 30% in 2033, albeit remaining below the threshold of 140. Debt service-to-exports ratio is expected to increase to 13% in 2028, which is beyond the threshold, and then decreased to 5% 2033. The overall stock of external arrears on public and publicly guaranteed external debt service reached US$1,375 million (about 9% of GDP) at end-2019. Domestic borrowing despite being more expensive, has increased since undisclosed debt were found, and more recently, it has increased from 14% of the GDP in 2020 to 24% of the GDP in 2022, reflecting a more restrictive access to international bondholder markets for Mozambique but also imposing higher costs in debt service.

Positive developments include ongoing dialogues with development partners, the government's reform agenda, and the IMF Extended Credit Facility agreement, which not only stabilize fiscal accounts in the short term but also enhance economic governance and financial management systems, potentially unlocking non-concessional funds in the medium term. The conclusion of the IMF’s second review under the ECF agreement, provided the country with accesss to the SDR 45.44 allocation which is equivalent to USD 60.6 million.

Mozambique saw its debt with Paris Club members decreasing from 28.2% in 2021 to 22.4% of its GDP in 2022. The main Paris Club creditors in 2022 were Japan, Korea, and France. Debt with Non-Paris Club countries have significantly decreased, in the same period (from 21.7% of the GDP in 2021 to 16.4% in 2022), with the main creditor in this category being China from (15.4% of the GDP in 2021 and reducing to 9.0% in 2022). Other relevant creditors are Portugal, Iraq, Libya and India.

Both Fitch Ratings’ and Standard & Poor's credit rating for Mozambique stands at CCC+ with a stable outlook and it was last reported in November 2019. Moody's credit rating for Mozambique was last set at Caa2 with a stable outlook in September 2023, after reporting a positive outlook for Mozambique’s credit rating in March 2022 which was also set at Caa2. In general, a credit rating is used by sovereign wealth funds, pension funds and other investors to gauge the credit worthiness of Mozambique thus having a big impact on the country's borrowing costs.

It is critical though for increased attention to trends on ENH (Empresa Nacional de Hidrocarbonetos) debt as it is expected to increase for many years as per its 15% mandatory participation in all gas fields in the country, until gas revenues are high enough to start repaying its debt. Right now, ENH is getting its funding from expensive bridge loans from the consortium led by Total to finance its mandatory 15% participation.

The disclosure of hidden-debt led the IMF to suspend its cooperation in 2016. This was followed by the suspension of budget support operations by other multilateral donors. Adding to the mentioned reforms, the country also took legal action against civil servants involved in contracting the hidden debt and, altogether they were starting to yield results, allowing the country to reduce external debt/GDP from 104.5% in 2016 to 89.4% in 2019 and to successfully negotiate also in 2019 with bondholders a restructuring of the commercially traded portion of the hidden debt. Reforms to enhance financial governance and actions towards resolving the hidden debts case led to a significant cooperation with the IMF, where the Fund separately approved a USD309m rapid credit facility (100% of Mozambique's quota at the Fund). This improvement is based on anchored in the authorities’ strong commitment to implement fiscal consolidation and a prudent borrowing strategy. After the default on its sovereign bond in January 2017, the GoM reached agreements to restructure them. Additional debt reduction is envisaged as the government does not intend to support MAM, which will follow the normal course of commercial bankruptcy without backing, and the validity of the government guarantee on VTB’s loan to MAM is in dispute, as the government also filed a fraud claim in the U.K., disputing the legality of the syndicated loan. The government also received authorization from the London Court to sue PRINVEST over the claim that it has corrupted its officials in a boat-manufacturing deal for the EMATUM.

The government has been actively pursuing debt renegotiation and restructuring as its main strategy particularly as cancellation does not look feasible after the hidden-debt scandal that revealed still big challenges in terms of Public Financial Management, Transparency and Governance issue. The GoM has implemented reforms to enhance financial governance and actions towards resolving the hidden debts case. As a result of GoM actions towards the issue, the IMF expressed renewed willingness to work on measures to strengthen Mozambique's governance and debt sustainability. After suspending its program following the "hidden debt” scandal, program discussions were set to start in 2020, now delayed given COVID-19. The Fund has separately approved a USD309m rapid credit facility (100% of Mozambique's quota at the Fund). The GoM’s Report on Transparency, Governance and Corruption, published in July 2019 with IMF technical assistance, identifies priority areas for continued reforms, including: (i) the debt and SOE management and oversight; (ii) transparency in public procurement; and (iii) preventing conflicts of interest in the public sector. Moreover, structural reforms for economic diversification, removal impediments to investment and employment creation are necessary for sustained, inclusive growth, and to support poverty reduction.

Mozambique is making strides in implementing its Medium-Term Debt Strategy (MTDS) to increase concessional financing and extend debt maturities. There are plans to involve commercial banks in debt reforms and bolster government security markets. Simultaneously, a Sovereign Wealth Fund (SWF) bill, expected to pass by July 2023, will oversee the allocation of LNG revenue. Initially, the SWF splits revenue 40-60 between the SWF and the budget, shifting to an equal 50-50 split after an initial 15-year period. To address concerns of budgetary volatility, the draft law incorporates a calculation based on a moving average of past and future petroleum prices for LNG revenue transferred to the budget. Additional regulations are in development to ensure transparent and effective utilization of LNG revenues allocated to the budget, with support from the IMF and Norway

The GoM is producing medium-term debt strategy for after it resumed the publication of debt reports and issued the 2019 annual debt report with SOE and LNG debt coverage. It has also recently created (October 2020) the National Directorate for Debt Management within the Ministry of Economy and Finance (MEF), showcasing its commitment to improving subscription, registering, management and reporting and an effort to increase the capacity to centralize and coordinate debt-management within the MEF. For the first time, the GoM expanded debt reporting coverage to include SOE debt and LNG related debts. ENH also published its consolidated financial statements on its website. It has also made public Debt Management reports for 2016 to 2019.

Finally, it is important to note that previous discrepancies in between the GoM reported debt and debt estimated by IFI's such as the IMF and the WB have substantially reduced in the previous two years.

(B) Structural Policy

Cluster Score: 3.5

04. Policies and Institutions for Economic Cooperation, RI and Trade

Criteria Score: 3.333

4.a. Regional Integration and Economic Cooperation

Score Type	Value
Draft Score	3.0
Reviewed Score	3.0
Second Draft Score	3.0
Final Score	3.0

Country Notes:

Unlike many African countries, Mozambique is a member of only one Regional Economic Community (REC), the Southern Africa Development Community (SADC) while all its neighbors belong to several RECs including SADC. As such, this makes the intra-regional trading landscape for the country less complicated than that of neighboring countries albeit with limited options for regional markets with preferential treatment for intra-regional trade. Furthermore, the country's participation in both the

(COMESA-EAC-SADC) Tripartite Free Trade Area and the Africa Continental Free Trade Area (AfCTA) presents added opportunities for the country to expand and diversify markets beyond SADC. As the rollout of the AfCFTA commenced in January 2021, and Mozambique has signed and recently ratified the AfCFTA agreement.

Mozambique is a member of several other multilateral institutions such as the World Trade Organisation (WTO), the World Customs Organisation (WCO). These provides the country with the opportunity to access their technical policy advisory, use of international standards and best practice in managing international trade and advancing regional integration agenda. An example is the periodic Trade Policy Review conducted by the WTO to assess the country's trade policies and practices. Trade facilitation is key to the country achieving the plans of becoming a regional logistics hub and targeting measures to enhance the returns on the country's investment in transport infrastructure. Therefore, the most recent TPR for Mozambique conducted in July 2017 provides a sound basis for the country's trade policy reform and entry point for the Bank's support to further improve the country's participation in regional integration and enhancing intra-regional trade.

The country has a dedicated secretariat for the SADC, with regular reporting of progress on the implementation of regional integration programmes such as the SADC Regional Indicative Strategic Development Plan (RISDP) 2020-2030. It is actively pursuing the implementation of its Regional Indicative Strategic Development Plan. In 2019 an assessment of the implementation of SADC's Financial and Investment protocol was conducted, and it showed that a total of 65% of measures were implemented, with only 7.6% not implemented, and the remaining partially implemented. However the country is yet to implement its waiver on duties on all intra-SADC merchandise trade flows, initially planned for 2015. On the SADC Macroeconomic convergence criteria, Mozambique's macroeconomic performance meets some but not all of the SADC's convergence targets. Public debt to GDP of 102.9% is almost twice SADC's 60% threshold, and the CAD of 41.4% of GDP is threefold the convergence criteria. On the other hand, the fiscal deficit showed improvement, shifting from -6.0% in 2021 to an estimated -3.3% of the GDP in 2022. This is mainly due to increased revenues resulting from accelerated economic growth. The resumption of the IMF's ECF along with the exploration of the Coral Sul FLNG platform are expected to further reduce of the fiscal deficit.

SADC is Mozambique's second largest trade partner. About 30% of Mozambique's exports were to Africa, mostly to SADC (29%), with South Africa alone absorbing 13.5% of the country's exports. The main partner is India (21.0%), while United Kingdom (11.9%) and the Korea (6.1%) are the third and fourth, respectively. 81.5% of its exports. Exports totalled USD 8.2bn in 2022 with the main products being coal (34.2%), aluminium (%19.8%), and electricity (6.9%).

Top import source of Mozambique in 2022 is SADC with 34% of them (South Africa with 91% of it), the Korea (32%), South Africa (15.6%) and United Arab Emirates (9.9%). Imports totalled USD 14.6bn in 2022 and main products were ships, boats and floating structures (31%), fuels (15.4%), flurides (3.49%) and rice (2.16%).

About 93% of the country's market is open to SADC. Mozambique's geographic location makes it uniquely positioned to benefit from enhanced engagement in regional integration. Mozambique is part of the Southern African Power Pool (SAPP) with its Energy Utility companies (EDM, HCB and MOTRACO). Mozambique ranks highly against SADC members in the Africa Regional Integration Index.

Mozambique has both signed and recently ratified the AfCFTA agreement, becoming the 47th country to do so. This will allow Mozambique to have access to broader markets which in turn will increase FDI and domestic investments resulting in increased employment opportunities and higher incomes. Additionally, it can also contribute to poverty reduction. In addition to the AfCFTA, the SADC EPA Group comprising Botswana, Lesotho, Namibia and Swaziland (BLNS), South Africa and Mozambique signed an Economic Partnership Agreement with the EU in 2016, that is in full operational since ratification in 2017. Mozambique is also involved with the Tripartite Free Trade Area (TFTA) negotiations of SADC, EAC and COMESA.

Mozambique held the Extraordinary SADC Summit of Heads of State and Government held on 23 June 2021, where the deployment of troops to Cabo Delgado was approved. The mission to Cabo Delgado began in July 2021 and was recently extended for another 12 months by SADC at the SADC Summit of Heads of State in Malawi. Mozambique also help the Troika summit of the SADC in 2021 to address the conflict in Cabo Delgado and explore potential support from neighbouring countries. Moreover, SADC established the SADC Humanitarian and Emergency Operations Centre (SHOC) situated in Nacala, which is tasked with overseeing the coordination of regional disaster risk preparedness, response, and early recovery initiatives aimed at assisting Member States impacted by disasters.

The country is also engaged in a wide array of trade negotiations, such as the African Growth and Opportunity Act with the US, the Anything-but-Arms agreement with the EU, the Accelerated Program for Economic Integration (APEI) together with Malawi, Mauritius, Seychelles and Zambia. It is also engaged in the WTO trade negotiations.

Mozambique share of world exports remains extremely low at 0.02%, although the new LNG projects could raise this figure in the near future. Additionally, Mozambique is a member of the Southern Africa Power Pool (SAPP) where two-thirds of its regional exports are concentrated (mostly in natural gas and electrical energy).

Unlike many African countries, Mozambique is a member of only one Regional Economic Community (REC), the Southern Africa Development Community (SADC) while all its neighbors belong to several RECs including SADC. As such, this makes the intra-regional trading landscape for the country less complicated than that of neighboring countries albeit with limited options for regional markets with preferential treatment for intra-regional trade. Furthermore, the country’s participation in both the (COMESA-EAC-SADC) Tripartite Free Trade Area and the Africa Continental Free Trade Area (AfCTA) presents added opportunities for the country to expand and diversify markets beyond SADC. As the rollout of the AfCFTA commenced in January 2021, and Mozambique has signed and recently ratified the AfCFTA agreement.Mozambique is a member of several other multilateral institutions such as the World Trade Organisation (WTO), the World Customs Organisation (WCO). These provides the country with the opportunity to access their technical policy advisory, use of international standards and best practice in managing international trade and advancing regional integration agenda. An example is the periodic Trade Policy Review conducted by the WTO to assess the country’s trade policies and practices. Trade facilitation is key to the country achieving the plans of becoming a regional logistics hub and targeting measures to enhance the returns on the country’s investment in transport infrastructure. Therefore, the most recent TPR for Mozambique conducted in July 2017 provides a sound basis for the country’s trade policy reform and entry point for the Bank’s support to further improve the country’s participation in regional integration and enhancing intra-regional trade.The country has a dedicated secretariat for the SADC, with regular reporting of progress on the implementation of regional integration programmes such as the SADC Regional Indicative Strategic Development Plan (RISDP) 2020-2030. It is actively pursuing the implementation of its Regional Indicative Strategic Development Plan. In 2019 an assessment of the implementation of SADC's Financial and Investment protocol was conducted, and it showed that a total of 65% of measures were implemented, with only 7.6% not implemented, and the remaining partially implemented. However the country is yet to implement its waiver on duties on all intra-SADC merchandise trade flows, initially planned for 2015. On the SADC Macroeconomic convergence criteria, Mozambique's macroeconomic performance meets some but not all of the SADC's convergence targets. Public debt to GDP of 102.9% is almost twice SADC's 60% threshold, and the CAD of 41.4% of GDP is threefold the convergence criteria. On the other hand, the fiscal deficit showed improvement, shifting from -6.0% in 2021 to an estimated -3.3% of the GDP in 2022. This is mainly due to increased revenues resulting from accelerated economic growth. The resumption of the IMF's ECF along with the exploration of the Coral Sul FLNG platform are expected to further reduce of the fiscal deficit which is projected to slightly increase to -4.0% of GDP, followed by a subsequent decline to -3.4% in 2024.SADC is Mozambique's second largest trade partner. About 30% of Mozambique's exports were to Africa, mostly to SADC (29%), with South Africa alone absorbing 13.5% of the country's exports. The main partner is India (21.0%), while United Kingdom (11.9%) and the Korea (6.1%) are the third and fourth, respectively. 81.5% of its exports. Exports totalled USD 8.2bn in 2022 with the main products being coal (34.2%), aluminium (%19.8%), and electricity (6.9%).Top import source of Mozambique in 2022 is SADC with 34% of them (South Africa with 91% of it), the Korea (32%), South Africa (15.6%) and United Arab Emirates (9.9%). Imports totalled USD 14.6bn in 2022 and main products were ships, boats and floating structures (31%), fuels (15.4%), flurides (3.49%) and rice (2.16%).About 93% of the country's market is open to SADC. Mozambique's geographic location makes it uniquely positioned to benefit from enhanced engagement in regional integration. Mozambique is part of the Southern African Power Pool (SAPP) with its Energy Utility companies (EDM, HCB and MOTRACO). Mozambique ranks highly against SADC members in the Africa Regional Integration Index.Mozambique was the first country in Southern Africa to introduce the Single Electronic Window tax on foreign trade (in 2011), aimed at increasing transparency and efficiency in clearance of imports. The system is under further development to expand the coverage of customs from ports to automotive, multi-modal and road terminals. The country will benefit from the 2016 ratification of the Economic Partnership Agreement (EPA) between the European Union and the Southern African Development Community (SADC) EPA Group.Mozambique has both signed and recently ratified the AfCFTA agreement, becoming the 47th country to do so. This will allow Mozambique to have access to broader markets which in turn will increase FDI and domestic investments resulting in increased employment opportunities and higher incomes. Additionally, it can also contribute to poverty reduction. In addition to the AfCFTA, the SADC EPA Group comprising Botswana, Lesotho, Namibia and Swaziland (BLNS), South Africa and Mozambique signed an Economic Partnership Agreement with the EU in 2016, that is in full operational since ratification in 2017. Mozambique is also involved with the Tripartite Free Trade Area (TFTA) negotiations of SADC, EAC and COMESA.Main risks in Mozambique are associated with climate shocks vulnerability, with the effects of cyclones IDAI and Kenneth from 2019 still being felt in the country and the conflict in Cabo Delgado. Mozambique held the Extraordinary SADC Summit of Heads of State and Government held on 23 June 2021, where the deployment of troops to Cabo Delgado was approved. The mission to Cabo Delgado began in July 2021 and was recently extended for another 12 months by SADC at the SADC Summit of Heads of State in Malawi. Mozambique also hel the Troika summit of the SADC in 2021 to address the conflict in Cabo Delgado and explore potential support from neighboring countries. Moreover, SADC established the SADC Humanitarian and Emergency Operations Centre (SHOC) situated in Nacala, which is tasked with overseeing the coordination of regional disaster risk preparedness, response, and early recovery initiatives aimed at assisting Member States impacted by disasters.The country is also engaged in a wide array of trade negotiations, such as the African Growth and Opportunity Act with the US, the Anything-but-Arms agreement with the EU, the Accelerated Program for Economic Integration (APEI) together with Malawi, Mauritius, Seychelles and Zambia. It is also engaged in the WTO trade negotiations.Mozambique share of world exports remains extremely low at 0.02%, although the new LNG projects could raise this figure in the near future. Addtionally, Mozambique is a member of the Southern Africa Power Pool (SAPP) where two-thirds of its regional exports are concentrated (mostly in natural gas and electrical energy).**3.0**

4.b. Trade restrictiveness

Score Type	Value
Draft Score	3.5
Reviewed Score	3.5
Second Draft Score	3.5
Final Score	3.5

Country Notes:

In 2020, Mozambique’s Most Favored Nation rate was 10.4%, among the lowest in the SADC. Duties on imported goods range from zero to 25% while 20% have been imposed on consumer goods. The weighted average tariff for Mozambique is currently 7.2% and the use of non-tariff barriers to trade (NTB) is infrequent. The tariff-binding coverage is currently at 14.3%. According to the 2022 World Trade Organization (WTO), the average tariff is 10.3% (6.3% for agriculture, and 3.4% for non-agriculture) in 2022. The trade-weighted average MFN duty-free import applied is increased to 8.2% in 2022 from 3.8% in 2021. Within SADC Mozambique has substantially (93%) liberalized its imports.

The tariff book has 5,182 lines, of which 1,614, representing 31%, are classified under category C with the maximum tariff of 20%. All others (69%) fall between 0-7.5%. Conditions are suitable to expand trade. Agriculture inputs, such as fertilizer and agrochemicals, are not subject to any tariff.

According to the WEF GCI 2019, the country decreased slightly its score on “Prevalence of Non-tariff barriers” by to 3.4/7 (3.9/7 in 2016), scoring 132 over 141 countries in the ranking. There is somewhat mixed evidence on non-tariff barriers and on the extent to which these constrain trade. Whether on a preferential or a non-preferential basis, Mozambique faces few real barriers to most major markets. Traders in Mozambique and in partner countries nonetheless register a number of complaints regarding those non-tariff measures that remain in place. From the complaints lodged against Mozambique in the Mechanism for Reporting, Monitoring & Eliminating Non-Tariff Barriers that is maintained by the Regional Economic Communities, the single largest cause for complaint was lengthy and costly customs' clearance procedures, followed by five complaints each about arbitrariness and inadequate trade-related infrastructure. There is an electronic mechanism through which traders can lodge their complaints regarding non-trade barriers and this is shared with other actors such as the SADC and SATH for resolution.

In August 2023, Mozambique agreed to improve the tripartite coordination mechanisms, which will culminate in the signing of the Nacala Corridor Tripartite Agreements between Mozambique, Malawi and Zambia with a view to ensuring a reduction in the costs and time of commercial transactions, as well as improving access to transport infrastructures, reducing restrictions on trade.

Source: National Authorities, USAID, WTO, WEF

4.c. Customs/trade facilitation

Score Type	Value
Draft Score	3.5
Reviewed Score	3.5
Second Draft Score	3.5
Final Score	3.5

Country Notes:

The introduction in 2014 of the Single Electronic Window (SEW) and progressive system implementation presented a major development for trading across borders. It is possible the electronically processing of declarations, duty assessment and control of transit goods. Mozambique ratified the World Trade Organisation's (WTO) Trade Facilitation Agreement (TFA) in 2017.

With four (4) of its neighbouring countries landlocked and all of them Members of SADC, Mozambique through various ports remains strategic to the regional integration agenda of SADC in particular providing much needed alternative routes for accessing international markets to these countries. Maputo Corridor and Logistics Initiatives (MCLI), joint trade facilitation initiative between the Republic of South Africa and Mozambique implemented as a Public Private Partnership, is one of the country's ground-breaking initiative in Regional Corridor Development and a demonstration of how cross border cooperation can enhance and deepen regional integration. This initiative has been lauded as one of the best models for corridor development and management on the continent together with the Single Window initiative. Both of these initiatives provides the basis for the country to further develop the transport logistics sector and implementing more reforms both in the management of the country's borders and along transit corridors.

The country registered progress in 2020 on the Trade Across Border's criteria of the Doing Business indicators. Exports take on average 13 working days (border compliance plus documentary compliance hours converted in working days) to clear the border, which is better than the 21 days of the SSA average, and costs USD 762 higher than the USD 775.6 SSA average cost, an increase from the previous assessment. Imports are much more streamlined, with 3.15 working days to clear the border and documentation and a cost of USD 459, compared with the SSA's 28 days and USD 977,8 respectively.

Currently, Mozambique ranks 142 out of 180 countries with a score of 26 in Transparency International's 2022 Corruption Perceptions Index (CPI), a slight decrease from 147 in 2021. Despite showing improvements in its CPI, this ranking still indicates a high level of perceived corruption compared to other countries in the region. From June 12 to 16, 2023, the Mozambique Revenue Authority (AT), with the support of the WCO Anti-Corruption & Integrity Promotion (A-CIP) Programme, organized a series of meetings with government border agencies, Customs brokers associations, Chambers of Commerce and Industry and Shipping companies in Maputo, Beira, and Nacala. These meetings were aimed at collectively finding solutions to combat corruption. They followed a prior 2022 initiative where stakeholders identified areas of concern. With guidance from WCO A-CIP Experts, they emphasized leveraging the WCO Revised Arusha Declaration and Gender Equality initiative for integrity. Additionally, discussions focused on the second Customs Integrity Perception Survey (CIPS) in Mozambique this year, identifying areas for improvement in anti-corruption efforts.

Mozambique learned lessons on trade facilitation amid COVID-19, particularly on rationalizing process that but that have yet to mature and be replicated beyond basic goods and health equipment and supplies.

05. Financial Sector Development

Criteria Score: 3.667

5.a. Financial stability

Score Type	Value
Draft Score	3.0
Reviewed Score	3.0
Second Draft Score	3.0
Final Score	3.0

Country Notes:

According to the IMF’s Second Review of the ECF agreement, albeit reporting low Non-Performing Loans (NPLs) the banking sector reported a weaker system-wide capital and liquidity ratios. The BM is committed to upholding the safety and stability of banks by continuously implementing prudential rules and ensuring adherence to loan classification and provisioning standards. Simultaneously, the BM is in the process of revising prudential regulations, with the aim of enabling the transition from Basel II to Basel III capital which is expected to be implemented between 2024-2026. In collaboration with the IMF, the central bank is also actively developing a regulatory and supervisory framework to effectively address cybersecurity risks.

NPLs experienced a decrease to 8.9% of total loans in 2022, still well above the acceptable benchmark of 5.0%, compared to 2021 (10.0%). Although the financial stability index reduced by 35 pp compared to December 2021, reaching 37.5% in December 2022, the BM maintained its assessment of the systemic risk, affirming its continued classification at a moderate level. This decline was driven credit risk slowdown. Also, credit to the economy increased by 0.99 pp from 2.6% in December 2021 to 3.6% in December 2022, remaining below the minimum threshold of moderate risk. Regulatory tier 1 capital to risk-weighted assets decreased to 25.0% at end-March 2023 (which is above the regulatory minimum of 10.0%), after increasing to 27.5% in December 2022. Core capital decreased from 26% in 2021 to 15% at end-March.

In terms of reforms, the BM remains steadfast in its commitment to maintaining financial stability, employing supervisory actions and considering the potential implementation of Basel III standards. Efforts are underway to enhance banks' solvency by reevaluating risk weights for all assets. Collaborative initiatives between the Bank of Mozambique and the National Debt Directorate are improving oversight of State-Owned Enterprises (SOE) debt. With IMF Technical Assistance (TA), the Bank of Mozambique is finalizing a cybersecurity regulation following a public consultation. Additionally, a pilot examination of a systemic bank took place in 2022, and further IMF TA in 2023 to develop a comprehensive manual for cybersecurity supervision. The BM is implementing reforms to fortify the payment system and promote financial inclusion. The crisis management framework is receiving significant attention, encompassing recovery and resolution planning, revisions to the Deposit Guarantee Fund Regulation, and the rigorous adherence to Article VIII obligations.

On August 11, 2023, Fitch Ratings affirmed Mozambique's Long-Term Foreign-Currency Issuer Default Rating (IDR) at 'CCC+' and withdrew the 'CCC+' Long-Term Local-Currency IDR. Typically, Fitch does not assign Outlooks to sovereigns with a rating of 'CCC+' or below. The withdrawal of Mozambique's Local-Currency IDR stems from the lack of reliable information regarding the timely resolutions of late coupon payments on unrated domestic government bonds in local currency. Mozambique's 'CCC+' Foreign-Currency IDR reflects several factors, including elevated government debt levels, persistent fiscal deficits, weak public financial management, low GDP per capita, weak governance indicators, and a challenging security situation. Fitch anticipates robust economic growth, fiscal deficit reduction, declining debt-to-GDP ratios, and stabilized international reserves in Mozambique's near-term future. However, risks related to financing conditions and external pressures remain potential factors that could lead to negative rating actions, while improvements in public finances and macroeconomic confidence could drive positive rating actions.

5.b. Sector's efficiency, depth, and resource mobilization strength

Score Type	Value
Draft Score	4.0
Reviewed Score	4.0
Second Draft Score	4.0
Final Score	4.0

Country Notes:

The financial sector is underdeveloped although quickly expanding in line with the decentralized growth of the country. The sector is still bank-dominated and capital and financial markets are incipient and mostly confined to Maputo (the capital), which limits the sector’s ability to mobilize resources. The banking sector remains highly concentrated and focused on the upstream segments of the market, although there is an increasing geographic coverage as part of the government strategy for financial inclusion. Overall, bank credit to the private sector as a percentage of GDP in Mozambique, decreased from 23.0% in 2021 to 21.3% in 2022, showing a slight decline in the financial sector’s presence in the country.

Mozambique ranks low on WEF Global Competitiveness Index 2019 on Financial System Depth 22.8/100 ranking of 120/141. Domestic Credit to Private Sector is over 1/3 of the GDP, and both Financing of SMEs

(3.0) and Availability of Venture Capital (2.0) score low showing the narrowness of the financial system, built around the banks. There are 15 registered banks representing 95% of total financial system assets. It is dominated by foreign-owned banks, with the 3 largest banks holding above 85% of the total assets. ROA and ROE ratios, which are equal to 5.5% and 22.1%, respectively at end-March 2023.

The stock market is still infant, with 13 companies listed, and overall listed securities representing just 8% of GDP. The debt market is dominated by sovereign issuing, while corporate bonds are also featured on the market, but issuance remains relatively small and mostly limited to financial institutions and telecommunication firms. The investor base for both government and non-government securities is largely dominated by commercial banks, though a few insurance companies and investment management institutions are also active in the market. Corporate and government bonds are traded on the Stock Exchange and only two dealers operate in the country, with all other brokers incorporated into commercial banks which also act as primary dealers for Treasury bills. The secondary market remains underdeveloped and comprised mostly of transactions on the Stock Exchange.

5.c. Access to financial services

Score Type	Value
Draft Score	4.0
Reviewed Score	4.0
Second Draft Score	4.0
Final Score	4.0

Country Notes:

In 2016, the Government of Mozambique launched the National Strategy for Financial Inclusion (ENIF) 2016-2022. ENIF basically aims to provide a structured approach for the establishment of priority policies and actions for monitoring, evaluation, and coordination of actions to be carried out by different stakeholders, with the aim of making significant progress in building a society financially included in Mozambique.

Although the total number of bank accounts increased by 3.4% from 5,293,240 in 2021 to 5,326,096 in 2022, the 2022 Financial Inclusion Report by BoM reported that in 2022 there were around 306 bank accounts per 1,000 adults, compared to 315 in 2021, illustrating a reduction in the country’s access to financial services. Around 68.5% of the country's adult population had an electronic money account with an Electronic Money Institution (EMI) compared to 67.2% in 2021. Out of 13,870,80 thousand mobile phone subscriptions in the country, 11,923,02 thousand (86%) had an EMI subscription, compared to 82.6% in 2021. In terms of physical access, more districts now have at least one point of access to financial services. Out of a total of 154 districts, the country now has 121 covered by bank branches and 29 covered by microbanks and credit unions, representing a coverage level of 79% and 19% of the total of districts, respectively.

The national financial system has registered a slight deterioration, albeit showing growth in some and expansion through the improvement and expansion of its infrastructure, thus contributing to a greater inclusion of the population. In fact, in 2022 the country counted with (i) 36 credit institutions, of which 15 banks, 12 microbanks, 1 investment company, 3 electronic money institutions, 1 group purchasing management company, and 4 credit unions; (ii) 9 financial companies, including 1 issuing or credit card management company, 8 exchange offices; (iii) 2081 microfinance operators, of which 13 savings and loan organizations and 2068 microcredit operators; and (iv) 36 institutions in the category of other financial institutions, including 19 insurance companies and 16 stock exchange operators and 1 brokerage firm.

In the light of the Maya Declaration for Financial Inclusion, Mozambique made three (3) commitments under the Sochi Agreement, namely: (i) approval of an instrument to operationalize the Regulatory Sandbox for Fintechs by December 2019; (ii) establishment of a regulatory framework (regtech) that adjusts to financial innovations (fintechs), including its prudential supervision, until December 2020; and (iii) continuous promotion, in the national market, of financial products and services, business models and innovative solutions that contribute to the availability of affordable financial services for the entire population.

Government initiatives aimed at the financial inclusion of the rural population have contributed to improving the levels of access to financial services by population group. The highlight is the implementation of the following projects: (i) District Development Fund (FDD), which, during 2019, disbursed a total of 84,607,87 thousand MT, benefiting about 887 individuals; (ii) “One district, one bank”, which aims to create equal opportunities in terms of proximity and availability of financial services to all Mozambicans without distinction, which in 2019 allowed the installation of 22 bank branches, making a total of 35 branches since 2016, the year the project was launched; and (iii) “Sustenta”, which in 2019 benefited ten (10) districts, of which five (5) in Zambézia province and five (5) in Nampula province.

The Number of ATMs per 100,000 adults was equal to 9.78 in 2020.

06. Business Regulatory Environment

Criteria Score: 3.5

6.a. Regulations affecting entry, exit, and competition

Score Type	Value
Draft Score	3.5
Reviewed Score	3.5
Second Draft Score	3.5
Final Score	3.5

Country Notes:

Mozambique ranks138th), among 190 countries in the World Bank Doing Business Index 2020 in relation to 2016 (133th). The criteria of Starting a Business deteriorated from 137th in 2018 to 176th in 2019, mainly due to increased cost of starting a business. The most significant improvement was Getting Electricity with a rank of 103th from 150th in 2016. Trading Across Borders and Enforcing Contracts improved to 94th and 168th, respectively. The total number of procedures to register a firm is 10 procedures and takes 17 days to register the firm. The institution in charge of business registration is the One-Stop Shop (Balcão de Atendimento Único - BAÚ) and Legal Entities Registrar (Conservatória de Registo das Entidades Legais). Mozambique scored 61 in ease of getting a permit as it takes between 118 days and 11 procedures to obtain permits. The requirements for obtaining a building permit are easily accessible online. Resolving insolvency framework provides that a creditor or debtor has the right to object to decisions accepting or rejecting creditors' claims. The insolvency framework provides for the possibility of the debtor obtaining credit after the commencement of insolvency proceedings. Mozambique’s law also provides for voluntary arbitration for “essential services” personnel monitoring the weather and fuel supply, postal service workers, export-processing-zone workers, and those loading and unloading animals and perishable foodstuffs.

On the WEF’s Global Competitiveness Index 2019, Mozambique scored 137th compared to the 2018 (out of 140 economies). The main concerns by companies are Corruption, inefficient government bureaucracy, and inadequately educated workforce. Despite its relatively poor ranking on global indexes, the formal regulatory environment is quite open to foreign investors, without significant restrictions to investment.

The Competition Law in Mozambique, enacted through Law no. 10/2013 of 11 April and its accompanying Regulation by Decree no. 97/2014, establishes the legal framework for competition in the country. Recent amendments in Decree no. 101/2021 have raised the thresholds for transactions requiring prior notification to the Competition Regulatory Authority (CRA). Now, transactions require CRA notification when meeting one of these conditions: (i) acquiring, creating, or strengthening a market share equal to or over 50% in the national market of a product or service; (ii) achieving a market share equal to or greater than 30% and less than 50% in the national market, provided that at least two participating companies had a turnover exceeding 105 million Meticais in Mozambique during the last fiscal year; (iii) or when all participating companies in the transaction achieved a turnover in Mozambique exceeding 925 million Meticais in the last fiscal year, as long as at least two of these companies had a turnover exceeding 105 million Meticais. Additionally, a simplified assessment procedure applies to transactions below the specified market share or turnover limits, subject to certain conditions. The notification fees for transactions subject to the simplified assessment procedure are capped at 2,250,000.00 Meticais or 0.11% of the prior year's turnover, whichever is lower.

In May, 2023, the Parliament of Mozambique passed a new Private Investment Law aimed at fostering investment in the country. The law incorporates measures to encourage investment, such as tax benefits, accessible land, simplified procedures for licenses and permits, and protection against expropriation. The Law also introduces provisions to promote responsible investment practices and streamline investment processes. It explicitly emphasizes the social responsibility of investors, highlighting the significance of sustainable and inclusive business operations. The law also establishes different investment regimes, providing flexibility in registration procedures through either a simplified regime or an authorization-based approach. The country is in the process of modernizing and sophisticating commercial procedures in accordance with the law, and the modernization of the business sector is one of the biggest gains that the new Law is expected to bring. The new Investment Law will revamp the legal framework, contributing to an improvement in the investment landscape.

The Competition Authority law has been approved but it is awaiting the regulatory framework. The institution is to regulate, investigate and oversee competition issues in most sectors in the Country. Sector regulators are being set in place, such as the Electricity regulator (ARENE) which was established in May 2017 which will approve electricity prices and tariffs, propose new policies and legislation in energy matters, and promote "free competition " in energy services. One of the goals of the new Electricity Strategy is to transform the electricity utility into a financially viable institution, as shown by recent tariff adjustments and future plans to adopt an automatic tariff scheme linked to inflation. State Owned Enterprises (SOEs), inherited from the socialist period competing with the private sector abound in Mozambique's Government participation in the economy is managed by Institute for Management of State Participation (IGEPE).The new Law on State Owned Enterprises aims at creating transparency and efficient management of public companies. It introduces concrete measures of prevention and management of fiscal risk and limits of indebtedness. .

In November 2016, the Mozambican Government created the Agency for Investment and Export Promotion (APIEX) from the merger of three institutions promoting trade and exports. APIEX promotes and facilitates investment, bringing together the promotion of public and private investment and exports. APIEX mandate is to boost business environment, optimize resources and create greater synergies in areas that impact the country's economy.

The regulatory process is however often clumsy. Although government wishes to create a friendly investment climate, a lot of requirements still have to be met before final entry approval is granted. The existing one stop shop network is not a full-fledged single window but rather a platform that brings together representatives from a number of public agencies – but not all the agencies needed by investors. An integrated platform for service delivery (e-bau) that aims to connect one stop shops in provinces and other institutions was launched but has been only used for certain types of business licenses. Hence, it does not have the desired impact in terms of reducing the time, cost and complexity of the business establishment processes. The Government has embarked on efforts to revamp the existing platforms.

The Industrial Free Zone Council approves companies as industrial free zone enterprises and provides customs and tax exemptions and other benefits, which includes profit repatriation. Qualifications for Industrial Free Zone include; job creation for nationals of Mozambique, the exportation of at least 85% of annual output, and a minimum investment of $50,000.

Mozambique kept its overall ranking (now at 138), among 190 countries in the World Bank Doing Business Index 2020 in relation to 2016 (190 countries). In the criteria of Starting a Business the country actually lost 39 positions, to 176/190, mainly due to increased cost of starting a business. The most significant improvement was Getting Electricity from 150 to 103/190. Trading Across Borders and Enforcing Contracts improved by 6.55 and 12.5, respectively. On the WEF's Global Competitiveness Index 2019, Mozambique lost four places at 137 compared to the 2018 (out of 140 economies). The main concerns by companies are Corruption, inefficient government bureaucracy, and inadequately educated workforce. Despite its relatively poor ranking on global indexes, the formal regulatory environment is quite open to foreign investors, without significant restrictions to investment. The Competition Authority law has been approved but it is awaiting the regulatory framework. The institution is to regulate, investigate and oversee competition issues in most sectors in the Country. Sector regulators are being set in place, such as the Electricity regulator (ARENE) which was established in May 2017 which will approve electricity prices and tariffs, propose new policies and legislation in energy matters, and promote “free competition “ in energy services. One of the goals of the new Electricity Strategy is to transform the electricity utility into a financially viable institution, as shown by recent tariff adjustments and future plans to adopt an automatic tariff scheme linked to inflation. State Owned Enterprises (SOEs), inherited from the socialist period competing with the private sector abound in Mozambique’s Government participation in the economy is managed by Institute for Management of State Participation (IGEPE).The new Law on State Owned Enterprises aims at creating transparency and efficient management of public companies. It introduces concrete measures of prevention and management of fiscal risk and limits of indebtedness. . In November 2016, the Mozambican Government created the Agency for Investment and Export Promotion (APIEX) from the merger of three institutions promoting trade and exports. APIEX promotes and facilitates investment, bringing together the promotion of public and private investment and exports. APIEX mandate is to boost business environment, optimize resources and create greater synergies in areas that impact the country’s economy. The regulatory process is however often clumsy. Although government wishes to create a friendly investment climate, a lot of requirements still have to be met before final entry approval is granted.The Industrial Free Zone Council approves companies as industrial free zone enterprises and provides customs and tax exemptions and other benefits, which includes profit repatriation. Qualifications for Industrial Free Zone include; job creation for nationals of Mozambique, the exportation of at least 85% of annual output, and a minimum investment of $50,000.

6.b. Regulations of ongoing business operations

Score Type	Value
Draft Score	4.0
Reviewed Score	4.0
Second Draft Score	4.0
Final Score	4.0

Country Notes:

Mozambique's economic freedom score is 52.5, making its economy the 134 thrd freest in the 2023 index. Its overall score has increased by 1.2 points from 2022, following a recent trend of gradual increases since 2018. Improvements in scores come from judicial effectiveness, government integrity, labour freedom, tax burden, government spending and fiscal health indicators and trade freedom. It saw decreases on property rights, , business freedom and trade freedom. No changes were observed on financial, investment and monetaryfreedom indicators. Mozambique is ranked 28th among 47 countries in the Sub Saharan Africa region, (an increase from 37th in 2020) and its overall score is below the regional and world averages.

Protection Minority Investors deteriorated sharply from 99 out of 189 in 2016 to 147 in 2020. On the other hand Contract Enforcement ranks the second lowest at 168th.

There are specialized courts for commercial arbitration which offers opportunity to individuals to settle commercial disputes. The Bankruptcy law was recently updated and aims to address the World Bank’s Doing Business low rankings concerning insolvency and enterprise protection. It outlines eight main objectives, including enterprise preservation, worker protection, and reducing financial costs. The law encompasses three procedures: insolvency, judicial recovery, and extra-judicial recovery, with distinctions between debtor and creditor-initiated insolvencies. The adoption of the new insolvency regime represents a crucial stride in the modernization of Mozambique's legal system, aligning it more closely with the requirements and expectations of 21st-century investors, among other considerations. The effect on bankruptcy resolution is yet to be felt..

Mozambique subscribes to several international arbitrations. A law guiding business conduct “Responsible Business Conduct” (RBC) enables investors to negotiate some issues directly with government. Issues of corruption are captured in Mozambican laws to discourage impropriety of officials.

Source: WB, WEF Global Competitiveness Report 2017-2018, Heritage Foundation, National Authorities

Illicit financial flows (IFF) in Mozambique can be attributed to high levels of informal economic activity, corruption, drug trafficking, tax fraud, environmental crimes (forestry and wildlife), kidnapping, poaching, illegal mining and commercial practices such as trade mis-invoicing. Mozambique identified and assessed its ML/TF/IFFs risks through a national risk assessment (NRA) which was carried out from July 2020 to March 2021. The assessment identified threats and vulnerabilities and the sectors at risk. The designated non-financial businesses and professions (DNFBPs), in particular, casino sector, real estate, dealers in precious metals and stones were identified as the most vulnerable sectors for ML/TF. The ML threat was determined to be high, and the ML vulnerability as medium-high. On the other hand, the TF threat and vulnerability were both rated high mainly due to insurgencies in the Cabo del Gado region.

Mozambique's economic freedom score is 50.5, making its economy the 153rd freest in the 2021 index. Its overall score has increased by 1.1 points from 2020, following a recent trend of gradual increases since 2018. Improvements in scores come from government integrity, labour freedom, monetary freedom, tax burden, government spending and fiscal health indicators. It saw decreases on property rights, judicial effectiveness, business freedom and trade freedom. No changes were observed on financial, investment and trade freedom indicators. Mozambique is ranked 36th among 47 countries in the Sub Saharan Africa region, (an increase from 37th in 2020) and its overall score is below the regional and world averages.

Protection Minority Investors deteriorated sharply from 99 out of 189 in 2016 to 147 in 2020. On the other hand Contract Enforcement ranks the second lowest at 168th

There are specialized courts for commercial arbitration which offers opportunity to individuals to settle commercial disputes. The Bankruptcy law was recently updated. The effect on bankruptcy resolution is yet to be felt. The judicial system indicator has seen a substantial improvement since 2018 when it was practically ineffective (31.4 – closer to be considered as a repressive) to 26.9 in 2021. However it still lacks a lot of capacity in settling commercial disputes leading to individuals to resort to private settlement. This is capable of causing investors' to lose trust in the judiciary. Disputes settlement especially for commercial issues involves lengthy period of time. Arbitration in mega projects follows international practice, i.e., allowing for intentional expert resolution of disputes first before recurring to the judiciary or international courts.

Mozambique subscribes to several international arbitrations. A law guiding business conduct "Responsible Business Conduct" (RBC) enables investors to negotiate some issues directly with government. Issues of corruption are captured in Mozambican laws to discourage impropriety of officials.

Source: WB, WEF Global Competitiveness Report 2017-2018, Heritage Foundation, National Authorities

Illicit financial flows (IFF) in Mozambique can be attributed to high levels of informal economic activity, corruption, drug trafficking, tax fraud, environmental crimes (forestry and wildlife), kidnapping, poaching, illegal mining and commercial practices such as trade mis-invoicing. Mozambique identified and assessed its ML/TF/IFFs risks through a national risk assessment (NRA) which was carried out from July 2020 to March 2021. The assessment identified threats and vulnerabilities and the sectors at risk. The designated non-financial businesses and professions (DNFBPs), in particular, casino sector, real estate, dealers in precious metals and stones were identified as the most vulnerable sectors for ML/TF. The ML threat was determined to be high, and the ML vulnerability as medium-high. On the other hand, the TF threat and vulnerability were both rated high mainly due to insurgencies in the Cabo del Gado region.

6.c. Regulations of factor markets (labor and land)

Score Type	Value
Draft Score	3.0
Reviewed Score	3.0
Second Draft Score	3.0
Final Score	3.0

Country Notes:

In 2021, the Mozambique Labor Freedom rating in the Heritage Foundation Economic Freedom index experienced a small declineto 42 from 41.7 in 2020 signalling a repressed labor market on a different note

The World Economic Forum’s (WEF) Competitiveness Report for 2019 indicated that, Mozambique's labor market efficiency score increased from 42.5 in 2018 to 43.2 but remained at the same rank (138/141 economies).

Mozambique's labor market is dominated by the informal economy, with approximately 70% of the population working in subsistence agriculture, particularly in rural areas. In urban areas, people are often involved in informal trade.

). According to the 2020 DB of the World Bank, there are 8 procedures and 43 days process involved in registering property in Mozambique. The country employs a Dual system, encompassing both Title and Deed, with oversight provided by the Conservatória do Registo Predial de Maputo. One noteworthy gap in the system is the absence of an electronic database for boundary records, plan verification, and the dissemination of cadastral information through a geographic information system

There is an acute shortage of skilled labor in Mozambique leading many employers to bring in foreign workers to address the gaps in expertise. To manage this challenge, the government limits the number of expatriates a business can employ in relation to the number of Mozambican citizens it employs. The government passed a labor regulation in 2016 further enhancing the requirement for employers to institute comprehensive skills transfer programs. These initiatives are designed to train Mozambican nationals, with the ultimate goal of preparing them to assume the roles currently occupied by foreign workers

There is an acute shortage of skilled labor in Mozambique. As a result, firms often hire foreign employees with required skills. To regulate this, the government has imposed limitations the number of expatriates workers a business can employ in relation to itsMozambican workforce. The government passed a labor regulation in 2016 strengthening the requirement for employers to devise a skills transfer program that trains Mozambican nationals to eventually replace the foreign workers. . Hiring foreign employees is limited by a percentage of the company’s number of Mozambican employees, with varying quotas for large, medium and small firms. Foreign employees can make up to 5% of the total number of workers in large firms, 8% of the total number of workers in medium firms and up to 10% of the total number of workers in small firms. Foreign employees are eligible for these quotas if they possess the required academic or professional qualifications and no Mozambican citizens meet these criteria, or their number is insufficient. However, the visa and work permit procedures for foreigners are known for their bureaucratic and time-consuming nature.

In terms of working rights the constitution and law provide workers, with limited exceptions, the right to form and join independent trade unions, conduct legal strikes, and engage in collective bargain . However, the law requires government approval to establish a union and the 45 day registration process employers’ or workers’ organizations,has been considerd excessively lengthy by the International Labor Organization (ILO). Approximately three percent of the labor force is affiliated with trade unions. An employee fired with cause does not have a right to severance, while employees terminated without cause do.Unemployment insurance and social safety net programs for workers laid off for economic reasons are currently absent .

To address labor-related challenges, the Government of Mozambique in collaboration with support from international donors, reviewed the Labor Law. The newly enacted Labor Law, officially designated as Law no. 13/2023, dated 25th August, was officially published in the Official Gazette on the same day. This legislative reform is aimed at aligning Mozambique's labor regulations with international conventions, particularly addressing issues related to forced labor, health and safety standards within the mining sector, and measures to combat the worst forms of child labor. Notably, this legal update extends the maternity leave duration from 60 to 90 days and introduces provisions for addressing sexual harassment in the workplace. It's essential to emphasize that the implementation of this new law, which supersedes the previous Law no. 23/2007 dated 1st August, will commence on 21st February 2024. Consequently, any matters initiated or constituted before this date, including those pertaining to the probationary period, holiday entitlements, limitations, and statutory timeframes for disciplinary penalties, as well as procedures for terminating employment contracts, will continue to be governed by the provisions outlined in Law no. 23/2007 dated 1st August.

In the context of land and property rights, according to the World Bank Data Base, Mozambique's land and property rights are subject to a dual registration system. The Conservátoria do Registo Predial de Maputo is the institution responsible for overseeing this system. However, a notable challenge in this domain is the absence of an electronic database for recording land boundaries, verifying land plans, and providing cadastral information, such as a geographic information system.

Within this framework, the Civil Section of the Maputo City Judicial Court (A Secção Cível do Tribunal Judicial da Cidade de Maputo) serves as the court of first instance in cases involving standard land disputes, particularly those concerning tenure rights for a property valued at 50 times the country's gross national income (GNI) per capita, often situated in Mozambique's largest business city.

Land in Mozambique is the property of the State and cannot be sold, mortgaged or charged. Besides occupation, the only vehicles the law provides for access to land are the right to use and benefit from land (Direito de Uso e Aproveitamento da Terra – “DUAT”) or Special Licenses. Land Use and Benefit Rights (DUATs) are regulated by Law No. 19/97 of 1 October (Land Law) and Decree No. 66/98, of 8 December (Land Law Regulation).

In order to acquire land directly from the State it is therefore necessary to apply for a land use and benefit title or DUAT (Direito de Uso e Aproveitamento da Terra). One pressing issue within this context is the growing constraint on land access, as identified by manufacturers and economic stakeholders. This problem can be attributed to several factors, including the lack of clarity in land policies, limited institutional capacity, unclear administrative arrangements, low land taxes, and incentives that often distort equitable access to land.

The criteria for access to land are more restrictive for foreign companies than they are for Mozambican companies. Land usage and exploration rights (DUAT) is typically granted tocompanies that are registered in Mozambique and must have an approved investment project. Foreign natural individuals may obtain land upon minimum residency in Mozambique of five years, and legal persons must be established or registered as a company in Mozambique.

For rural communities, the DUAT formalization process requires first the establishment of a legally recognized association. It then entails the preparation of zoning maps, community and land use plans, participatory delimitation of community land (DelCom), and finally the issuance of a DUAT title. For most rural households, their DUAT is based on good faith occupation for at least 10 years rather than on formal title deeds.

Definitive authorizations may be granted for 50 years. While investors have the option to obtain a Provisional Land Use Right, the process for acquiring a DUAT license is often time-consuming and susceptible to corruption. This process can sometimes take a month or even longer, leading to delays in land-related transactions. Use of land as collateral for financial instruments is challenging due tonature of the title.

In recent years, Mozambique has witnessed significant progress in the realm of industrial property rights through the enactment of a new industrial property code that took effect in March 2016. This revised legal framework introduces a more comprehensive system for safeguarding and upholding industrial property rights.Two other reforms have been introduced. The National Program for Providing DUATs to community members that will help to identity land that is free for foreign investments and the National Territorial Plan based on land use planning and zoning to allocate productive land to investors based on the land potential. A consultation to the Land Reform proposal is currently going on.

Regarding land administration system, the Ministry of Land and Environment (MTA) occupies a central function by being responsible for DelCom (Delimitation of Community Lands), land use planning and the issuance of DUATs in rural areas, as well as the administration of the National Land Registry. In rural areas, DUATs requests also have to be approved by the Provincial Governors, the Ministry of Agriculture and Rural Development (MADER), or the Council of Ministers – depending on the size of the plots and if it is in protected areas.

In the event of a standard land dispute between two local businesses over tenure rights for property valued at 50 times the gross national income (GNI) per capita and located within the largest business city, the Civil Section of the Maputo City Judicial Court (Corte judicial de Maputo, Seção Cível) serves as the initial court of jurisdiction.

The government is currently organizing a land reform process However, it is critical that the government effectively address challenges related to the transferability of DUATs, formalization of customary land conflict resolution mechanisms, recognition and protection of women’s land rights, legal representation of local communities, and the management of communal lands.

Moreover, it is noteworthy that the property rights in Mozambique comply with the World Trade Organization’s agreement on Trade Related aspectsespecially intellectual property rights. In terms of economic freedom, Mozambique’s Property rights performance has shown an incremental improment since 2018, reaching the score of 29.5 in the 2021 Index of Economic Freedom.

The Heritage Foundation Economic Freedom index in 2021 saw a small decrease of Labor Freedom, to 42 (from 41.7 in 2020), considered as repressed.According to the WEF Competitiveness 2019 report, Mozambique's labor market efficiency score decreased increased from 42.5 in 2018 to 43.2 but remained at the same rank (138/141 economies). Redundancy costs, Cooperation in labour-employer relations, Flexibility of wage determination, Ease of hiring foreign labour, Internal labour mobility, Pay and productivity and Ratio of wage and salaried female workers to male workers registered gains in the period while Hiring and firing practices, Active labour market policies, Workers' rights and Reliance on professional management registered deteriorations. The labor market is dominated by the informal economy with the vast majority of people (approximately 70 percent) working in subsistence agriculture, particularly in rural areas. People in cities often work in informal trade.There is an acute shortage of skilled labor in Mozambique. As a result, many employers import foreign employees to fill these skill gaps. The government limits the number of expatriates a business can employ in relation to the number of Mozambican citizens it employs. The government passed a labor regulation in 2016 strengthening the requirement for employers to devise a skills transfer program that trains Mozambican nationals to eventually replace the foreign workers.The constitution and law provide that workers, with limited exceptions, may form and join independent trade unions, conduct legal strikes, and bargain collectively. The law requires government approval to establish a union. The government has 45 days to register employers' or workers' organizations, a delay the International Labor Organization (ILO) deemed excessive. Approximately three percent of the labor force is affiliated with trade unions. An employee fired with cause does not have a right to severance, while employees terminated without cause do. Unemployment insurance does not exist and there is not a social safety net program for workers laid off for economic reasons.The Government of Mozambique is reviewing the Labor Law to align it with international conventions related to forced labor, health and safety issues in mining, and the worst forms of child labor. The proposed law would also extend the maternity leave period from 60 to 90 days. The new labor law will also address sexual harassment.The hiring of foreign employees is limited by a percentage of the company's number of Mozambican employees. Foreign employees can make up to 5% of the total number of workers in large firms, 8% of the total number of workers in medium firms and up to 10% of the total number of workers in small firms.. A foreigner will qualify for this quota only if he or she has the academic or professional qualifications necessary for the position and there are no Mozambican citizens with such qualifications (or their number is insufficient). This is aggravated by the fact that obtaining visa and work permit for foreigners is bureaucratic and time wasting. Access to land is the one constraint identified by manufacturers that has actually grown significantly worse. Lack of clarity, limited capacity and unclear institutional arrangements, low land tax and distorted incentives for access to land are some of the gaps that characterize land policy. The criteria for access to land are more restrictive for foreign companies than they are for Mozambican companies. Land usage and exploration rights (DUAT) are available for companies that must be registered in Mozambique and must have an approved investment project. A foreign natural person may obtain land upon minimum residency in Mozambique of five years, and legal persons must be established or registered as a company in Mozambique.For rural communities, the DUAT formalization process requires first the establishment of a legally recognized association. It then entails the preparation of zoning maps, community and land use plans, participatory delimitation of community land (DelCom), and finally the issuance of a DUAT title. For most rural households, their DUAT is based on good faith occupation for at least 10 years rather than on formal title deeds.Definitive authorizations may be granted for 50 years, renewable for another 50 years. Although an investor can obtain a Provisional Land Use Right, the process for attaining a DUAT license is time-consuming and corruption-prone, and could take a reasonability long time (usually it may take a month or longer). Collateralization using land as instruments is absent because of the nature of the title. However a new industrial property code came into effect march 2016 which introduces a more comprehensive legal framework for the protection of industrial property rights. Two other reforms have been introduced. The National Program for Providing DUATs to community members that will help to identity land that is free for foreign investments and the National Territorial Plan based on land use planning and zoning to allocate productive land to investors based on the land potential. A consultation to the Land Reform proposal is currently going on.Regarding land administration system, the Ministry of Land and Environment (MTA) occupies a central function by being responsible for DelCom (Delimitation of Community Lands), land use planning and the issuance of DUATs in rural areas, as well as the administration of the National Land Registry. In rural areas, DUATs requests also have to be approved by the Provincial Governors, the Ministry of Agriculture and Rural Development (MADER), or the Council of Ministers – depending on the size of the plots and if it is in protected areas.The government is currently organizing a land reform process where comprehensive consultations are taking place throughout this year which hopefully will be able to reduce some of those issues. However, it is critical that the government effectively address challenges related to the transferability of DUATs, formalization of customary land conflict resolution mechanisms, recognition and protection of women's land rights, legal representation of local communities, and the management of communal lands. Property rights in Mozambique comply with the WTO Agreement on Trade Related Issues especially intellectual property. Property rights in the 2021 Index of Economic Freedom have increased its performance as an index gradually since 2018, to 29.5.

Legal Framework

· The 2004 Constitution provides that the ownership of all lands and natural resources vests in the state, and that all Mozambicans shall have the right to use and enjoy land as a means for the creation of wealth and social well-being. The Constitution further provides that the state shall recognize and protect land rights acquired through inheritance or by occupation, unless there is a legal reservation, or the land has been lawfully granted to another person or entity.

· The 1997 Land Law was drafted to support and protect the land rights of communities, women and smallholder farmers while also encouraging investment—reasserts the state's ownership of land and provides that individuals, communities and entities can obtain long-term or perpetual rights to land. This right is known by the acronym, DUAT from the Portuguese Direito de Uso e Aproveitamento dos Terras.

· The 1998 Rural Land Law provides rules for the acquisition and transfer of use rights. These rules provide for private property developed on the land to be marketable, with the transfer of the underlying DUAT then subject to a discretionary approval process by the state.

· Decree No. 1/2003 establishes new provisions for the National Land Registry and Real Estate Cadastre, and procedures for the registration of inherited land use rights and secure rights to customary rights-of-way (GOM Decree No.1/2003).

· The 2006 Urban Land Regulations apply to existing areas of towns and villages and areas subject to an urbanization plan. The Regulations govern the preparation of land use plans, access to urban land, rights and obligations of owners of buildings and DUAT holders, and transfer and registration of rights (GOM Urban Land Regulations 2006).

Land Administration and Institutions

The former National Directorate of Land and Forests of the Ministry of Agriculture was integrated into the Ministry of Land, Environment and Rural Development (MITADER). Responsibilities for land management and administration within MITADER fall under the National Directorate for Land (DINAT) and the National Directorate for Territorial Planning and Resettlement (DINOTER). At the national level, the DINAT is the regulatory authority, charged with holding and organizing the national land cadastre records and, in the case of large-scale land applications over 1000 ha, responsible for processing applications for approval. The DINAT also provides technical guidance to the cadastral services of the provincial administrations and the decentralized municipalities. For rural land, the Provincial Service of Geography and Cadastre (SPGC) has primary operational responsibility. The municipality cadastre services issue DUAT documents for occupants of urban areas. In general, Mozambique's land administration bodies lack the capacity to perform their statutory functions, particularly in local offices where personnel have not received adequate training and support.

Tenure Types

Two main categories of land are prevalent in Mozambique (i) Public lands (state and municipalities): The Constitution determines which lands are held under state public domain, and over which no DUATs can be issued. Parties interested in occupying public land may apply for a special license, (ii) Community lands: Most rural land is held by communities, who have perpetual DUATs based on their traditional occupancy. Delimitation and registration of this land are voluntary as communities are not required to delimit or register their land to assert their DUAT. The DUAT is the only recognized holding and uses rights over land, and it can be held individually or collectively. According to the Land Law, a DUAT can be acquired in three ways (i) Customary occupation following customary norms and practices (this applies to local communities and individuals and households within them); (ii) Good faith occupation (after using the land for at least 10 years uncontested); or (iii) Adjudication and allocation of a 50-year lease by the State. As per Land Law 1997 and Land Regulations 1998, occupancy-based DUATs can be registered with the DINAT of MITADER to give notice and formal documentation of rights, but do not need to be registered for the holder to assert and defend the use-rights to occupied land. DUATs obtained by customary and good faith occupation are perpetual and do not require plans for exploitation (use). However, if communities want to formally register their DUAT, they must prepare an exploitation plan.

Securing Land Rights

In urban areas, most residents (approximately 62 per cent) access land through the informal land market, either by leasing land held by DUAT holders or, more commonly, through buying the 'improvements' on the land. Leasing and buying land are both technically illegal under the current constitutional framework and formal law. However, any 'improvement' made on the land, as opposed to the land itself, is considered private property and can be bought, sold or mortgaged. In rural areas, most land is held by communities and individuals with unregistered DUATs acquired through customary and good-faith occupation. DUAT registration process requires the applicant to have an identity card, which many residents do not have and can acquire only by navigating additional procedures.

Land Rights and Gender

In general, Mozambique's formal law supports and protects women's rights to land. The 2004 Constitution provides for the equality of men and women in all spheres of political, economic, social and cultural life, and prohibits discrimination based on sex. The 2004 Family Law provides for the equality of women by recognizing that women and men have equal rights to administer marital property and have equal rights to devolve and inherit property. The 1997 Land Law gives women the right to participate in all land-related decisions and the right to register DUATs individually. However, the primary formal law governing inheritance and succession (the 1966 Portuguese Civil Code) favours men over women for inheritance and management of marital property. Despite the progressive framework supporting the equality of women, customary law and traditional practices continue to dictate most women's social and economic rights in Mozambique, including access to land and access to secure tenure. The formal law allows for joint ownership of marital assets and the right to register land individually, but few women (and especially rural women) have any assets in their names.

Compulsory Acquisition of Private Property Rights by Government

Article 82 of the Constitution provides that the government can expropriate land only for reasons of public necessity, utility or interest and that the government must pay fair compensation to the landholder(s). Under the 1997 Land Law, Art. 18, the right to use property may be lost in four circumstances: (i) failure to carry out the investment plan in connection with which the DUAT was issued; (ii) revocation for reasons of public interest; (iii) expiration of the term of use, if any; and (iv) renunciation by the titleholder. Where use rights have been lost, the rights revert to the state. In cases of revocation for reasons of public interest, the government is required to conduct an expropriation process and pay a fair indemnification and/or compensation before land use rights are extinguished. The law does not specify procedures or standards for establishing fair compensation, though the government did approve a decree to regulate compensation in the context of involuntary resettlement.

Land Disputes And Conflicts

Land disputes are relatively common in rural areas where concessions have been granted within or near a community's traditional territory. Because the Land Law does not require communities to register their rights, local governments and investors often fail to recognize the extent of community land and the nature of community land uses, and community consultations are often ineffective. The lack of knowledge of community rights and lack of understanding among parties of procedures necessary to approve investment projects is a leading cause of disputes. Other causes for disputes in rural and urban areas include boundary disputes, inheritance and intra-family rights and land transactions. The formal court system has jurisdiction over land-related disputes that includes an administrative court to hear challenges to state administrative actions, district courts, provincial courts and a supreme court. Mozambique has a system of about 1,600 community courts that evolved separately from the formal court system, and these handle civil and criminal matters, including land disputes. There is no established link between community courts and the formal judicial system. At all levels, the formal court system suffers from capacity issues and inadequate facilities and equipment. Most of the population uses informal mediation and conciliation processes to resolve disputes.

(C) Policies for Social Inclusion/Equity

Cluster Score: 3.533

07. Gender Equality

Criteria Score: 4

7.a. Promotion of equal access for men and women to human capital development opportunities

Score Type	Value
Draft Score	4.0
Reviewed Score	4.0
Second Draft Score	4.0
Final Score	4.0

Country Notes:

The Global Gender Gap Report 2023 ranks Mozambique at 25th out of 146 countries (score of 0.778), which is 9 ranks up since the 2022 report and Mozambique ranks 4h among all sub-Saharan African countries, attributable mostly to closing gender gaps in political empowerment and heath and survival Mozambique fares low on the Gender Inequalities Index ranking 180th out of 189 in 2018. The main challenges are: (i) reducing maternal mortality along with the improving universal access to sexual and reproductive health services (HIV/AIDS); (ii) efforts to guarantee girls retention, progression and success in primary and secondary school levels; (iii) ensure greater access for women to productive resources, in particular land and finance, aimed at reducing poverty levels; and (iv) provide access to employment, water and sanitation and ensure access to food to increase nutrition levels.

Gender and Human Capital: Women's human capital and economic empowerment are particularly low in Mozambique. Only 52% of women participate in the labor force compared to 79 % of men. Women are concentrated in the informal sector, mostly in agriculture and trade and majority of working women are unpaid. The low remuneration of women can be explained by the fact that their work in agriculture is seen as an extension of their reproductive responsibilities and of producing for the subsistence of the family; while the work of men is seen as the livelihood of the family. Outside of agriculture, women are most present in the informal sector (trade, services), hotels, the financial sector and the public sector. Female illiteracy rates in rural Mozambique are over 60% compared to 31 % for males. One of the reasons behind low educational completion is the high drop-out rate for girls due to teenage pregnancies and/or early marriages.

Despite existing legislation, one third of women aged 15-years report to have experienced physical violence, and 46% report to have experienced domestic sexual or emotional violence from their partners and 70% experienced harassment in school.[1] Recent extreme climate events (cyclones, droughts and floods) as well as the Covid-19 pandemic related restrictions, which have put additional economic pressure on the poorest households are considered to have further increased gender violence.[2] However, there is a lack of recent more disaggregated data.

[1] https://www.worldbank.org/en/news/opinion/2021/03/08/time-for-bold-action-to-advance-gender-parity-in-mozambique

[2] https://mozambique.un.org/pt/115287-libertando-mulheres-e-raparigas-da-violencia-em-mocambique

Early marriage is common, with 48.2% of females between 20-24 years married before their 18th birthday and 14.3% before they turned 15. Having children early increases the chances for girls to drop-out, having more children in life and higher dependency ratios. In comparison to boys and young men, girls and young women are more exposed to sexual abuse and exploitation in schools. 70% of schoolgirls know of cases of teachers having sex with girls in exchange for grades10. The government has introduced a law that makes a crimeforbids early child marriage in 2019. Enforcement though is complex given that the bulk of the population lives in rural areas where public services including justice are scarce , and at the same time where customary norms and culture view early marriage as normal. After two years, Mozambique still registers 130 girls being forced to be married a day (UNFPA, 2021). The law is enforced by the National Strategy of Prevention and Combat to Premature Marriage.

It is estimated that there are over 2 million poor households in the country, with 12.3 million people living under the basic needs poverty line and average of five members per households. People living in poverty are more likely to live in larger female headed households, especially where the head is single, separated or divorced11. Female headed household are more likely to work in agriculture (in general a more vulnerable economic activity in Mozambique), have less secure access to land, be self-employed in the informal sector, and have less formal education.

Mozambique has made important progress in social protection with three main social safety net programs, mainly funded by government. These are the Social pension (PSSB), productive social safety net (PASP), and direct social support (PASD). Despite these efforts coverage remains low with less than 500,000 poor households covered, accounting for less than 20% of the estimated poor households. An effective social protection system could become an important redistribution mechanism and safeguard that some of the future national wealth is redistributed to the poorest segments of society and especially poor families headed by women.

Only 14% of adult women having reached at least a secondary level of education compared to 23% of their male counterparts, which represents an increase from the previous year. The Gender Parity in for gross enrollment ratio is 1, indicating parity in 2018. National net primary school enrolment was 94% in 2018. Enrollment for females was 92% (males 95%). Net Female enrolment in secondary education is 19.3% although (same for total enrolment for secondary schooling – WB data). But, despite the fall in gender inequalities related to educational access in recent years, the inequality towards woman persists. Primary completion rate scores lower for women (41.8%) than to men (47.33%). When it comes to STEM, the country has a significant gender gap in terms of tertiary graduation (29.26% for women and 70.74% for men).When it comes to STEM, the country has a massive gap in terms of tertiary graduation (21.38% for women and 78.63% for men)

Politica de Genero, Estrategia de Implementação da Politica de Genero, Plano Mulher, Paz e Segurança. Lançamento do Plano de Empoderamento Economico da Mulher.PQG aumento das mulheres em cargos de liderança em instituições do governo.Increasing inequalities and failures to protect women's rights, especially among the poorest are major threats to the achievement of sustainable development goals, according to the United Nations Population Fund (UNFPA). The lives of these young people forced into premature marriages in central Mozambique can only change with concrete actions. These measures include respecting human rights, following international treaties and conventions, overturning discriminatory laws and regulations that prevent women from accessing information and services, and eliminating situations of inequality through public policies. In Mozambique half of the women between the ages of 20-24 were married when they were still minors, 14 % before the age of 15, according data from the United National Children's Fund. The unmet family planning gap stands at 41%. Rapariga Biz is a program implemented recently by the Government with technical support from UNFPA, UNICEF, UNESCO and UN WOMEN aimed at preventing early pregnancy and increasing the rate of school attendance of young women.

Like other countries signatories of the SDGs, Mozambique is committed to ensure that people are informed and fully participate in this agenda, by ensuring to make information available to the society, including the production of visual materials, to make it easier for the population to understand the sustainable development agenda.

Mozambique is not yet on track to reach the health Sustainable Development Goals. For instance, HIV/AIDS, infection rates are higher among young women (9.8% of women 15-24 years of age against 3.2% of males with the same age). However, in this regard the GoM has put in place an HIV National Strategy 2021-2025.The primary health care system suffers from weaknesses in provider competencies; low adherence to clinical guidelines; high dropout rates for child immunization; and little continuity in care delivery over time. In response to this, the GoM developed a 5-year program (2017-2021) focused on Reproductive, Maternal, Neonatal, Child and Adolescent Health and nutrition that prioritizes the Health Sector Strategic Plan. A USD 105 million project for Results is being implemented starting 2018.

The Ministry for Child, Women and Social Action endeavors to achieve gender equality.

Of recent the of GoM made the following progress on Legislative framework and strategies:

1. Law n 19/2019 on Prevention and Combat of Early Marriage

2. Law n. 23/ 2019 on the Succession Bill 3. Law n. 22/ 2019 on the Family Law 4. Law n.26/2019 on Alternative Measures of Prison 5. Law n. 24/ 2019 Revision of Penal Code 6. Law n.25/ 2019 Revision of the Penal Code Process

Approved Gender and HIV Strategies for Public Administration:

2. Resolution n.39/2020 “Gender Strategy in the Public Administration II 2020-2024”

3. Resolution n.28/2020 of 29th April “HIV and AIDS Strategy in the Public Administration II 2020-2024”

4. HIV National Strategy 2021-2025 (NSP V)

Note: Implementation of most of the above the laws and policies has been hampered by the onset of COVID 19. Thus leading to no tangible gender equality impact.

Source: Ministry of Gender, Child and Social Action, WB, UN Human Development Reports, Gender Inequality Index, MTR 2020 of the CSP 2018-2022, UNWoman;

7.b. Promotion of equal access for men and women to productive and economic resources

Score Type	Value
Draft Score	4.0
Reviewed Score	4.0
Second Draft Score	4.0
Final Score	4.0

Country Notes:

The disaggregation of statistics by gender using the international definition shows that participation rates of females (90.6%) are typically higher than that of males (84.8%), abut paid employment is more common for men than women (22.2% against just 5.7% respectively). Although women make up the majority of the economically active population, they are predominantly engaged in the agricultural sector, and generally in a household production context with limited surplus production. They are also more vulnerable at work with 90.6% for women vulnerable employment compared to 85.9% for men. The gender wage and salary gap is of 21.6%, around 96% of all informal workers are female.

Total employment is much higher in rural areas and across male and women, and that the gender gap in employment rates is led by gender differences in urban areas. Notably, the total employment rates are inversely proportional to the level of education - i.e. people are more active the less educated they are - and that the gender gap increases as the level of education increases. At the same time, disaggregation by age shows that in the gender gap in employment rate (the difference between the employment rate of men and women) is much higher among the urban youth, and very small for the rural youth. The southern region of the country seems to be undergoing a profound process of socio-economic changes leading to stronger women’s social status and role including with more control of income and material wealth. In terms of the private sector, in 2023, 17% of firms have female majority ownership, and 16% of firms have female top managers. The Mo Ibrahim IIAG 2023 increased its socioeconomic opportunity for women index, ranking 26 out of 54 countries.The Mo Ibrahim IIAG 2020 increased its socioeconomic opportunity for women index, 53.2/100.

Agriculture accounts for nearly 90% of all female labor in Mozambique. It is thus no exaggeration to say that agriculture in this country is supported by women. However, most women are engaged in subsistence farming or family-based micro farming. Having limited access to land or resources and being overloaded with domestic chores and child rearing duties in addition to farm labor, women find it difficult to engage in productive and lucrative farming activities. Even though women play an important role in agricultural production and food security, they do not adequately possess access to opportunities for extension services and training, technology, inputs for production (seeds, fertilizer), funds, and markets, as well as information related to all those issues. Further, they do not possess decision making power over farming and profit from the production. Gender mainstreaming in agriculture is guided by the Agriculture Gender Strategy. The strategy seeks to guarantee access and control of the resources, benefits, rights and equal opportunities, between women and men, and to increase food security and household revenue of men and women with the goal of contributing to reduction of poverty and sustainable development. The strategy calls for prioritizing the women's participation in programs of professional training, rural extension and in specific projects of rural development.

Whilst the Mozambican Land Law (Lei de Terra) provides for equal access to land for men and women, majority of women still do not have security of tenure for the land they work on. Many are unaware of the registration process and furthermore access to land is still based on gender structures where women’s claims are usually socially embedded in their relations to their male relatives. The mission established that while the law in Mozambique provides for equal access to land for men and women, lending institutions still require evidence of ownership of an asset as collateral for loans. Majority of women do not own assets that qualify as collateral hence diminishing their ability to access credit from formal institutions.

One major obstacle is the access to formal credit. Women in Mozambique constitute less than 30% of the clientele of rural finance institutions. Women also have limited access to District Development Funds (FDD). Recently, a Women’s Bank has been established, an initiative from a national women association to increase access to financial resources by female entrepreneurs. Nationally, access to credit from formal and informal financial institutions does not differ much (5.01% for women and 4.97% for men).

7.c. Men and women equal status and protection under the law

Score Type	Value
Draft Score	4.0
Reviewed Score	4.0
Second Draft Score	4.0
Final Score	4.0

Country Notes:

In terms of Governance, Mozambique ranted 26th (out of 54 African countries) according to the Mo Ibrahim Governance Index, and figured well on human development category, and signficantly low on indicators related to security and the rule of law.

Spotlight Initiative- Accelerating the Prevention and Response to SGBV and Early Marriage for Adolescent Girls and Young Women (Ages 10 - 24) in Mozambique: The Spotlight Initiative's investment in Mozambique aims to contribute to a country where every woman and girl live a life free from all forms of SGBV and harmful practices and can enjoy sexual and reproductive health and rights. The programme will operate in three provinces in Mozambique and at the central level, in accordance with the scope of the Spotlight Africa Programme and focus on: sexual and gender-based violence (SGBV), early marriage (with linkages to the eradication of harmful practices) and sexual and reproductive health rights (SRHR).

Rapariga Biz- An initiative by Canada to combat COVID-19 impacts on the sexual and reproductive health and rights of vulnerable girls and young women in Mozambique

Global Fund - the grant on Girls, Adolescents and Key populations to Fight HIV, TB and Malaria and Strengthen Systems for Health

Info-Violencia. The Info-Violence platform was launched in 2020 by the Ministry of Interior, the Office of Care and Assistance to Family and Minor Victims of Domestic Violence in collaboration with UNFPA. This relevant platform will have to be extended nationwide. The digital solutions for the MINT, the platform will contribute to provide accurate reports, data, information’s of the occurrences.

The Mo Ibrahim IIAG 2020 gives 25 points to Mozambique’s Laws on Violence Against Women, which is 58.3% reduction since 2010. OECD points, however, that women facing attitudes towards violence reduced as well as the percentage of women who have experienced physical and/or sexual violence from an intimate partner at some time in their life, from 32% in 2014 to 21.70% in 2019. According to the Mozambican Constitution men and women are equal before the law in all spheres. The principle of gender equality is further fleshed out in subsequent laws, namely the 1997 Land Law which provides for women´s property rights and the redefining of the legal status of women, the Family Law in 2005, which provides negotiated leadership, strengthening women's position as it maintains monogamy and women’s rights within the institution of marriage, recognizing the right of either spouse to be the head of the family, allowing women to be considered as heads of households. It also recognizes de facto unions (equivalent to common law marriages). The 2008 law on Trafficking of Human Being (especially women and children) , 2009 Law on Domestic Violence Against Women and the Revision of the Commercial law which sets out women autonomy to carry out economic business. The Equal Civil Liberties for Women Index used by Mo Ibrahim Index 2020 reached 90.7%, ranking the Mozambique as 6th in the continent).

Mozambique has been pursuing a female empowerment agenda and achieved commendable progress, but gender inequalities persist. Mozambique has supported the promotion of women in government; passing laws and regulations for woman; launching campaigns to raise awareness of women’s rights; and, promoting gender parity in education. As a result of these initiatives, the proportion of women in leadership positions has increased. According to OECD. Mozambique currently has 41.2% of women in parliament, the fifth highest figure in Africa, a an increase from previous elections where women hold 39.6% (according to the Inter-Parliamentary Union). Furthermore, the participation of women in the public service has increased from 0.1 in 2006 to 3.9 in 2012. The Mo Ibrahim IIAG 2020 also scores relatively well the criteria of “Political Power & Representation of Women) at 55.7/100 (17th in the continent). In addition, and despite the significant participation of women in public administration and parliament, the reality is contrasted with rural areas where the majority of the population lives. However, women hold only 3 out of the 17 electoral management bodies (lowest in southern Africa).

The fight against gender violence has led the country to adopt the main international/regional principles and standards to protect women's rights. The Act on Domestic Violence Perpetrated against Women became operational on 29 March 2010. The Act was passed in July 2009. The law seeks to address domestic violence against women within family relations. The Act states that domestic violence includes: physical abuse; sexual abuse; emotional and psychological abuse; intimidation; harassment; stalking; damage to property; any other controlling or abusive behavior that harms or may cause harm to a person. However, in many places, sexual violence is used systematically to intimidate and dominate girls and women. One in three women aged 15–49 has experienced gender-based violence in Mozambique. In 2014, the Mozambican Parliament approved a new Penal Code, which among other things decriminalized abortion. However, according to a 2014 survey done by Pathfinder earlier this year, only 22.6% of surveyed health workers were aware of the changes in legislation concerning abortion – and 32.5% considered abortion a crime.

Mozambique is signatory to the Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW, 1993), the Beijing Declaration (1995), the Solemn Declaration of Gender in Africa (2004) and the Optional Protocol to the African Charter on Human and Peoples' rights on Women (2005) and the Addendum to the Gender and Development Declaration: Declaration by the Heads of State or Government of the Commonwealth for the Southern African Development Community (SADC-1997). Since the adoption of such programs and policies, Mozambique has made great strides in combating gender-based violence. However, much more remains to be done to achieve the 2015 target of reducing by 50% the cases of physical, sexual and psychological gender-based violence. The Mozambique Interior Ministry (MINT) conducted a pioneering study which revealed that more than 50% of women have suffered physical, sexual or psychological violence

The GoM has passed the Gender Policy and its Implementation Strategy 2017, the National Plan for Women, Peace and Security 2017-2021 and the Women's Economic Empowerment Plan to accelerateequal status and protection under the law. Of recent the of GoM made the following progress on Legislative framework and strategies:

Law n. 23/ 2019 on the Succession Bill

Law n. 22/ 2019 on the Family Law

Law n.26/2019 on Alternative Measures of Prison

Law n. 24/ 2019 Revision of Penal Code

Law n.25/ 2019 Revision of the Penal Code Process

Moreover, the government has also passed the Resolution n.39/2020 "Gender Strategy in the Public Administration II 2020-2024" to foster women participation in the givernment and introduced support programmes such as:

08. Equity of Public Resource Use

Criteria Score: 3.833

8.a. Poverty Measurement

Score Type	Value
Draft Score	3.5
Reviewed Score	3.5
Second Draft Score	3.5
Final Score	3.5

Country Notes:

The GoM official poverty rates estimates pointed to an increase to 68.2% in 2019/2020, well above 46.1% rate lastly reported in 2014, showing a sharp reversal of previous decades gains from fighting poverty in the country. This is associated with a series of external and internal shocks. Mozambique's Human Development Index (HDI) rank fell by four positions from 202, to 185th in 2021.

Poverty had been declining following sustained strong growth in the 2000s. Over the long term, poverty has fallen more slowly than expected considering the strong growth performance, but growth has become more poverty reducing in recent years. Poverty figures based on the government methodology show that the poverty headcount fell from 52.8 % in 2002/2003 to 51.7% in 2008/2009, to 46% in 2014/15, according to the National Institute of Statistics most recent Census.

Public expenditure targeting priority sectors both in goals and objectives in different planning instruments tries to be-aligned with the Government's poverty-reduction policies. However, given the lack of financing currently, original goals have been pared back significantly, delaying improvements in the poverty indicators.

8.b. Public Expenditures: Priorities and strategies

Score Type	Value
Draft Score	4.5

Reviewed Score	4.5
Second Draft Score	4.5
Final Score	4.5

Country Notes:

The *programma Quinquenal do Governo* for 2020-2024 (PQG) provides the overall medium-term programmatic framework for the formulation of the 2021 State budget. The PQG is defined around three main priorities areas that are expected to drive government action during the next four years: (1) the development of human capital and the promotion of social justice (2) the acceleration of economic, productivity and employment growth and (3) strengthening the sustainable management of the country's natural resource base and the environment. In addition, the PQG defines three pillars with interventions that are expected to bolster the achievement of government priorities defined in the PQG. Interventions under each of these pillars seek to: (i) strengthen democracy and preserve national unity and national cohesion; (ii) promote good governance and decentralization; and (iii) enhance international cooperation.

Expenditure in Priority Sectors has consistently been above 60% of budget, and was 62.4% in the 2017 budget outturn. The objective for this PQG 2020-2024 is to increase it from 63.1% to 65.2% by the end of the period, with public investments increasing from 10% of the GDP in 2019 to 13.7% of the GDP in 2024. The PQG does not provide a detailed breakdown of how resources are expected to be allocated by function or by sectors, but its Results Framework does suggest a significant increase in public investment and service deliver

Expenditure allocation was distributed between Education (17%) with the largest share, Health (8%), and Agriculture and Rural Development (9%), while Debt servicing reached 22% of the Budget. For 2021, the government is proposing an emphasis on health given the pandemics, with 17.4% on Education, 10.2% to Health and 7.4% to Agriculture, with debt servicing and financial operations increasing to 27%. The social protection system supported by the IMF, the World Bank, and ILO/UNICEF was introduced in 2012 and represented 1.9% of the budget in 2017, and is expected to reach 3.9% in 2021 given that amid COVID-19, the government has committed to increase cash-transfer beneficiaries households from about 590,000 to 1,600,000 with the support of the Donors.

8.c. Regressive Tax

Score Type	Value
Draft Score	3.5
Reviewed Score	3.5
Second Draft Score	3.5
Final Score	3.5

Country Notes:

Tax Revenue is estimated at 29.5% of GDP in 2019. This compares to 24.0% in 2018 (solely due to 5.8% of GDP in capital gains taxes) and 26.4% in 2015, reflecting the sharp deceleration in economic growth in 2019 given the two tropical cyclones that will cost USD 3.4bn in reconstruction. The largest tax contributors were profit tax on companies, with 11% of GDP and VAT with 6.6% of GDP. Personal income tax contributed with 3.9% of GDP, while trade taxes provided 1.6% of GDP in 2019.

The Personal Income tax has a progressive rate from 10% to 32%. However, the Personal income tax is only applicable to annual incomes equivalent to USD 210 per month, which leaves out the majority of the population, in a country with USD 593 of GDP per capita.

The corporate income tax of 32%, and, in general, the corporate income tax regime in Mozambique is in line with international standards. The regime is based on global income, and expenses incurred in earning income or maintaining assets can be deducted from taxable income. The Government has provided tax waivers to the lower bands of tax payers amid COVID-19 as a matter to reduce poverty vulnerabilities amid the health, social and economic crisis.

As income taxes revenues increase, above goods and services for the first time in 2019, the taxation system is moving towards progressiveness. Amid COVID-19, the reduction on taxes of basic consumption goods reduces considerably the proportionate tax burden on the poor compared with the most privileged. As the government is committed to pass on a reform in 2021 with technical support of the WB on the VAT, the system is expected to move even more towards progresiveness. he government is committed to extend

09. Building Human Resources

Criteria Score: 2.833

9.a. Health and nutrition services

Score Type	Value
Draft Score	2.5
Reviewed Score	2.5
Second Draft Score	2.5
Final Score	2.5

Country Notes:

The Health Sector Strategic Plan (PESS 2014–2019) established as its vision the gradual implementation of universal health coverage (UHC). It implements the Economic and Social Plan (PES) aligned with the five-year program of the Government and Strategic Health Sector Plan. Efforts are focused on combating epidemics, chronic and non-communicable diseases, strengthening the supply chain and support services as well as the expansion of the health network. To achieve the defined strategies, the sector is focused in (i) accelerating progress in reducing maternal and neonatal mortality, increase contraceptive rate; (ii) accelerating progress in reducing chronic malnutrition; (iii) reduce the burden of endemic diseases such as malaria, HIV, tuberculosis and Neglected Tropical Diseases and reduce the progressive trend of Non-communicable Diseases and Trauma; (iv) Strengthening Public Finance Management Systems, Planning, Monitoring and Evaluation.

The latest statistics indicate positive developments in the healthcare sector, with institutional births growing from 71% to 87% in 2018, surpassing the 2015-2019 target of 75%. From 2022 to 2023, there was a noteworthy increase in the number of institutional deliveries by 6 percentage points, translating to an additional 118,274 institutional deliveries. Furthermore, there was a notable reduction in intra-hospital maternal mortality, dropping from 87 to 66 deaths per 100,000 live births between 2016 and 2018. The country has also made significant progress in expanding the provision of antiretroviral therapy (ART), with higher coverage rates for children (from 39% to 62%), adults (from 52% to 57%), and pregnant women (from 82% to 87%).

The cure rate for acute malnutrition in children under five rose from 75% to 87% between 2015 and 2018. Afro-barometer opinion polling data suggest an improvement in the perception of the quality of healthcare services between 2015 and 2018. The percentage of people reporting contact with health services increased from 55% to 65.7%, and the number of individuals stating that the government is effectively handling Basic Health Services rose from 42% to 55%.

Despite the government's commitment to allocate at least 15% of the budget to the health sector, actual allocations over the past decade (2013 to 2022) have averaged only 8.9%. In the transition from 2022 to 2023, the budget allocation for the health sector relative to total expenditure was below the 15% commitment, averaging 8.3%. This marked a decrease from 9.1% to 7.6% during this period.

Mozambique has doubled the number of trained and active community health workers, from 1,000 in 2018 to 8,300 in 2022. Community access to health services expanded four-fold, from nearly 240,000 households in 2018 to an estimated two million in 2022. However, according to the SDGs Voluntary National Review survey for 2020, there are still challenges to be overcome in Service Delivery, such as lack of drugs, long distances to the health facilities and the need to increasingly improve health care. Despite the country’s efforts to improve the accessibility of public services for people with disabilities, such as the setting up of ramps, specific locker rooms and lifts, the challenges of improving national health services to be more comprehensive and inclusive, especially for the elderly and people with disabilities, with regard to the accessibility and allocation of specialized personnel to meet this specific group, prevails.

In terms of budget allocation, data from the General State Account (GCE) show that in 2020 there was an increase in allocated resources of about 1.4% (8 billion meticais), compared to the 2019. Between 2010 and 2020, there was an average nominal growth of 16.9% of the health budget. The amount allocated to this sector was in the order of 8.7%, representing, on average, 3.1% of GDP over the period under analysis. Health expenditure is not following the population growth trend, which may compromise the improvement of the provision of SRHR and HIV and AIDS goods and services, among others. In per capita terms, the expenditure of the health sector tends to reduce since 2013, from US$ 28.69 to US$ 15.41, in 2020. The amount for 2020 represents a quarter of what would be needed for the SDGs ($60.00) and corresponds to only 6% of what is needed to achieve the SDGs by 2030 ($271.00). This value (US$ 15.41) is also below the average for Africa (US$ 32.00 per capita).

Mozambique struggles with significant healthcare infrastructure and accessibility issues. According to the Statistical Yearbooks by the National Institute Statistics, In 2020, the average distance people traveled to access healthcare only decreased slightly, from 12.3 km in 2019 to 12.1 km in 2020. Over half of the population faces travel times of an hour or more to reach the nearest healthcare facility. These extended travel distances are indicative of broader challenges in achieving universal health coverage, including factors like the medical ratio per inhabitant, health professional availability, and healthcare facilities per capita. Adding to these challenges are frequent medicine stockouts, which severely impact the delivery of essential care. The country also contends with a shortage of doctors, with only three available for every 100,000 individuals, one of the lowest ratios globally. Furthermore, there are deficiencies in systems for tracking, motivating, and retaining healthcare staff, resulting in poorly trained frontline health providers with limited management skills. To address these issues and improve healthcare accessibility, increased investment in healthcare infrastructure is essential.

Mozambique health system is characterized by inadequate infrastructure and equipment e.g., have 7 hospital bed per 1,0000 people[1]; inadequate human resource for health, the country has 1 physician per 10,000 population, this is below the sub-Saharan and low-income country average of 2 and 3 physicians respectively[2]. These challenges of Mozambique’s health system are also reflected in Mozambique ranking 153rd out of 195 countries globally[3] and 35th out of 54 countries in Africa in the 2019 Global Health Security Index with an overall score of 28.1 out of 100, but with large variation in the sub-index scores[4].

When examining the effectiveness, accessibility, and sustainability of health and nutrition services in Mozambique, Mozambique's UHC service coverage index for 2017 stands at 46, with one significant contributing factor being the insufficient number of physicians. In terms of catastrophic health expenditure, only 1.6% of households incur health-related expenditures exceeding 10% of their total household expenses, and a mere 0.4% face expenditures exceeding 25%. Both these percentages are notably lower than the regional and low-income country averages. The UHC service coverage index component focused on "service capacity and access" highlights Mozambique's shortcomings in these aspects.

The main indicators related to nutrition are worse in Mozambique than in the region and in countries with comparable incomes. In particular, the percentage of stunting (failure to meet age-appropriate height standards) among children under five, which represents chronic malnutrition, is very high at 42.3% (2015). In order to improve nutrition, exclusive breastfeeding up to 6 months is recommended, but this rate in Mozambique is 41.0% (2013), and the Health Sector Strategic Plan (2014-2019) aims to improve this value to 50% or more.

Quality of data and the strength of government institutions remain vital aspects to consider. The National Development Strategy 2015–2035 offers limited reference to the health sector. The Government Five-Year Plan and the Strategic Plan for the Health Sector (Plano Estrategico do Sector da Saude: PESS 2014–2019) play crucial roles in shaping the nation's health sector landscape. The PESS, initially scheduled to conclude in 2019, saw its duration extended to 2024 with unchanged content.

Recording data in health facilities typically involves paper media, with frequent issues of paper unavailability prompting the rewriting of existing forms or the creation of copies within the vicinity, impacting data quality. There's a noticeable absence of a standardized data management method, and challenges such as insufficient information security and the lack of full-time data managers hamper data quality. The existence of multiple forms for each program adds to the administrative burden on healthcare staff. Despite the construction of 22 new facilities in 2019, totaling 1674, population growth increased the average number of inhabitants per health facility from 16,855 in 2018 to 17,514 in 2019. Each province has at least one health facility.

Diverse sources contribute to health facility development beyond the secondary healthcare level. Initiatives such as the Annual Social and Economic Plan, extending beyond the Ministry of Health, and the "One District Hospital in Each District" program launched by the President in 2019 illustrate the multiple budget sources for healthcare facility expansion. The Ministry of Health has outlined plans to increase the number of health facilities at each health service level, particularly at the secondary level, by 2025.

) to respond to the growing population, conditioned by demographic evolution.

[1] https://www.who.int/data/gho/data/indicators/indicator-details/GHO/hospital-beds-(per-10-000-population)

[2] https://data.worldbank.org/indicator/SH.MED.PHYS.ZS?end=2018&locations=AO-MZ-ZW-ZM-XM-ZF-MW-MG-ZA&start=1991

[3] https://www.ghsindex.org/

[4] https://www.ghsindex.org/country/mozambique/

The Health Sector Strategic Plan (PESS 2014–2019) established as its vision the gradual implementation of universal health coverage (UHC). It implements the Economic and Social Plan (PES) aligned with the five-year program of the Government and Strategic Health Sector Plan. Efforts are focused on combating epidemics, chronic and non-communicable diseases, strengthening the supply chain and support services as well as the expansion of the health network. And to achieve the defined strategies, the sector is focused in (I) accelerating progress in reducing maternal and neonatal mortality, increase contraceptive rate; (ii) accelerating progress in reducing chronic malnutrition; (Iii) reduce the burden of endemic diseases such as malaria, HIV, tuberculosis and Neglected Tropical Diseases and reduce the progressive trend of Non-communicable Diseases and Trauma; (Iv) Strengthening Public Finance Management Systems, Planning, Monitoring and Evaluation.National statistics show that in 2018 the number of Institutional Births grew from 71% to 87%, above the target set for the period 2015-2019, which was 75%. Data also show that intra-hospital maternal mortality fell from 87 to 66 deaths per 100,000 live births (LB) between 2016 and 2018. The expansion of antiretroviral therapy (ART) in the country has been significant: children (39% to 62%), adults (52% to 57%) and pregnant women (82% to 87%). The cure rate for acute malnutrition in children under 5 years increased from 75% to 87% between 2015 and 2018. According to the Afro-barometer opinion polling, the perception of the quality of Health Services improved from 2015 to 2018 - the number of people who had contact with the Health Services is said to have increased from 55% to 65.7% and the number of people who reported that the Government is handling Basic Health Services properly increased from 42% to 55%.However, according to the SDGs Voluntary National Review survey for 2020, there are still challenges to be overcome in Service Delivery, such as lack of drugs, long distances to the health facilities and the need to increasingly improve health care. Despite the country's efforts to improve the accessibility of public services for people with disabilities, such as the setting up of ramps, specific locker rooms and lifts, the challenges of improving national health services to be more comprehensive and inclusive, especially for the elderly and people with disabilities, with regard to the accessibility and allocation of specialized personnel to meet this specific group, prevails.In terms of budget allocation, data from the General State Account (GCE) show that in 2020 there was an increase in allocated resources of about 1.4% (8 billion meticais), compared to the 2019. Between 2010 and 2020, there was an average nominal growth of 16.9% of the health budget. The amount allocated to this sector was in the order of 8.7%, representing, on average, 3.1% of GDP over the period under analysis. Health expenditure is not following the population growth trend, which may compromise the improvement of the provision of SRHR and HIV and AIDS goods and services, among others. In per capita terms, the expenditure of the health sector tends to reduce since 2013, from US$ 28.69 to US$ 15.41, in 2020. The amount for 2020 represents a quarter of what would be needed for the SDGs ($60.00) and corresponds to only 6% of what is needed to achieve the SDGs by 2030 ($271.00). This value (US$ 15.41) is also below the average for Africa (US$ 32.00 per capita).According to the Statistical Yearbooks by the National Institute Statistics , the average distance that the inhabitants travel to have access to health treatment went from 12.3 km in 2019 to 12.1 km in 2020. In other words, there was only an average reduction of 0.2 km, which means that efforts should be made to increase investment expenditure, in order to ensure the proximity of health services to the population. The average distance that the citizens travel to have access to the health unit reflects the dynamics of the most important indicators, with regard to the universal coverage of health services (medical ratio per inhabitant; health professional per inhabitant; health unit per inhabitant, among others).Therefore, the poor performance of this indicator reveals the generalized inability of the National Health System (SNS) to respond to the growing population, conditioned by demographic evolution.

9.b. Education, ECD, training and literacy programs

Score Type	Value
Draft Score	3.0
Reviewed Score	3.0
Second Draft Score	3.0
Final Score	3.0

Country Notes:

Mozambique’s literacy level, for those aged 15 years old and above, slight increased from is only about 61 percent (World Development Indicators for 2017[1]), to 63% in 2021 and the educational system tends to be more general than technical. The education system tends to have no career guidance to strengthen the educational capacity of young people into the labour market. In the USAID youth assessment, young Mozambicans mentioned the need for education and skills very often; and they tended to report so even when their challenge was in other sectors different than education. On agriculture and business, for instance, they reported that they needed educational training and skills on agri-business (Honwana and Shenga 2020).

The policy framework for youth employment, jobs and skills in Mozambique is defined by the National Education System adopted in 2018[1] which reformed the previous system approved in 1992[2] The National Education System includes in general three subsystems of education: *pre-school education* (optional and provided by day-care centres and kindergartens); *school-based education* including primary, secondary, professional, and higher education; and *non-school based education “*covering literacy activities, cultural and scientific capacity building and refresher courses that occur outside of the mainstream education system” (Ministry of Education 2013). Of these subsystems, the *school-based education* subsystem seems to matter for youth employment, jobs and skills. Only basic (and compulsory free) education in Mozambique - that is, primary grade 1 to 6 and the first cycle of secondary from grade 7 to 9 - “provide to a child, youth and older adult skills to exert their citizenship [right] and general knowledge about the world where they live and means to progress in labour and learning through lifetime”.[3]

Yet primary and secondary education (grade 1 to 12) constitute the centre of the National Education System.[4] It “delivers knowledge to individuals by developing capacities, habits and attitudes necessary to comprehend and participate in transformation of society; prepares citizens for study and self-employment developing innovative capacities and thinking with scientific rigor and logic; and develop vocational orientation that allows harmonization between the country needs and individuals abilities”. And higher education “ensures to elevate training at higher level at different domains necessary for country development”.[5]

Nonetheless, the role played by professional education, including: technical professional training, professional training, extra-institutional professional training, and professional higher education appear to matter more. The professional education constitutes the main tool for professional training of the skilled labour force necessary for socioeconomic development of the country. It develops labour force skills by: introducing methods, curricula and training modalities that respond to the needs of labour market; improving professional competences of workers, their work expectations and labour mobility; improving firms’ productivity and competition; and promoting self-employment. It also fosters internship; improves employability and employment prospects of the trainees; and incentivizes the employer to use the labour site as environment for active learning and provides opportunity of a freshly trained individual to acquire new competences and working experience.[6]

Primary education. The official age for entering primary school is six years of age. “Primary schools normally operate in two shifts of 6 classes (45 minutes per class), one in the morning and the other in the afternoon. To accommodate the expansion of the system, some primary schools, particularly in the cities, operate in 3 shifts of 5 classes (40 minutes each)” (Ministry of Education 2013). After completing primary education, students may continue their studies either in general secondary education or in basic professional education facilities.

Secondary educationis divided into general secondary education and professional education. **General secondary education** consists of two cycles: the first, grade 7 to 9; and second, grade 10 to 12. After completing the first cycle, students may continue their studies in the second cycle of the general education system. To meet the large demand, evening classes are offered with a focus on the older students (over 15 years of age). **Professional education** (previously only *technical professional education*) was expanded in the 2018 National Education System reform to also include *professional training*, *extra-institutional professional training*, and *higher professional education*.[7]The *technical professional education* consists of basic and medium levels, each covering three years in commercial, industrial and agricultural fields. To enter the basic level, it is required the completion of grade 6; and the medium level, completion of grade 9 of the general secondary education or basic level of the technical professional education. *Professional training* refers to the one offered by professional centres from the State Secretary of Youth and Employment (SEJE), more specifically Institute of Professional Training and Labour Studies Alberto Cassimo (IFPELAC). *Extra-institutional professional training* is offered outside of the professional education system as long as it fulfils the required standards.[8] *Higher professional education* is offered by polytechnic higher institutes.[9]

Higher education includes universities, schools and higher institutes as well as academies. To enter higher education, students are required to complete either general secondary education or medium level of technical professional education and pass an entrance exam (Ministry of Education 2013).

Despite significant progress in school enrollment over the past decade, it is evident that this rise is not proportionate to the improvement in the quality of education. Notably, many children who complete primary school lack fundamental reading, writing, and math skills.

Recent years have witnessed positive developments in Mozambique's education sector. In December 2018, the National Education System Law was revised to introduce a new structure. This change mandated and provided free education for nine years, reducing primary education to six years and increasing secondary education to six years. For the first time, preschool was recognized as a sub-sector of education, although it is not a requirement for entering primary school.

These reforms, along with increased investment and government commitment to maintaining high education expenditure, have driven progress. Nevertheless, efficiency challenges persist. Nearly two million primary-school-age children do not attend school, with over one-third of students dropping out before Grade 3. In upper primary, the gender gap remains, mainly due to factors like teacher absenteeism, leading to only 74 out of 190 expected school days each year for children. Women in Mozambique, on average, receive only 1.4 years of schooling, compared to men's average of 3.4 years. Enrollment also stagnates in upper primary and secondary school, and a gender gap in access to education still exists, ranking 138th in terms of literacy rate disparity among women over 25 years of age.

Remaining challenges in the education system include issues with teaching and learning quality, textbook availability, high dropout rates, and equity concerns. Mozambique allocated 18.76% of its budget to education in 2021, reflecting a 0.82% increase from 2020.

The Strategic Education Plan 2020-2029 emphasizes a financing strategy that combines various sources, including state resources, cooperation partner contributions, parent and head of education resources, and private sector and non-governmental organization support.However, the education system's inefficiency persists as the funding allocation to primary and secondary education institutions is often insufficient. Funding inequalities between primary and general secondary education are apparent, with a more prominent focus on primary education.

It's worth noting that Mozambique's education funding comes from both internal and external sources. The country has become dependent on external support since its independence in 1975. This dependency can pose challenges, as external partners and international agencies may introduce rules and objectives that do not consistently align with the country's educational context.

[1] Law 8/2018, of December 28 – approves the National Education System comprising the subsystems of pre-school education; general education (primary, secondary), professional education, adult education (primary and secondary), teachers' education and training, and higher education); and non-school based education.

[2] Law 6/1992, of May 6 – approves the National Education System. It was revoked 26 years after reform through approval of the new National Education System (Law 8/2018, of December 28).

[3] Article 6 and 7 of Law 18/2018, of December 28. In the previous National Education System (Law 6/1992 of May 6), basic (compulsory and free) education was only from grade 1 to 7.

[4] Article 11 of Law 18/2018, of December 28.

[5] Article 17 of Law 18/2018, of December 28.

[6] Article 15 of Law 18/2018, of December 28.

[7] This 2018 reform considered the 2016 Professional Education reform (Law 6/2016, of June 16).

[8] Article14 of Law 6/2016, of June 16.

[9] Article16 of Law 6/2016, of June 16.

[1] See: https://tradingeconomics.com/mozambique/literacy-rate-adult-total-percent-of-people-ages-15-and-above-wb-data.html

9.c. Prevention and treatment of HIV/AIDS, tuberculosis, and malaria

Score Type	Value
Draft Score	3.0
Reviewed Score	3.0

Second Draft Score	3.0
Final Score	3.0

Country Notes:

The 202320 budget allocates 8% of GDP to the health sector, same as in previous years2019s. TThe Health sector in Mozambique relies annually on large off-budget financing, provided by external development partners. For the 2021 financial year, external resources include, specifically, External Donations for Medicines, with an allocation of 2.9 billion Meticais, which represent 28% of total External Resources. Vertical Funds had an allocation of 7.2 billion Meticais and represent 69%. External Credits with an Endowment of 0.25 billion Meticais, corresponding to 3% of the total External Resources. Between the years 2000 and 2019 the under-five infant mortality rate declined from an average 170 deaths per 1,000 live births to 47.75 deaths. With respect to maternal mortality, Mozambique reduced the mortality rate from an average 915 deaths per 100,000 live births to an average 289 deaths in 2017. Malaria remains the most common cause of death, responsible for 42% of under-five child mortality and 30% for the general population. Children under five years of age and pregnant women are the most vulnerable groups. The disease accounts for up to 44% of all out-patient consultations and 57.6% of all pediatric admissions at district hospitals. HIV prevalence rate among adults slightly increase from 11.5% to 11.6% in 2022. In the context of the Post-2030 Agenda and the Sustainable Development Goals (SDGs), Government emphasis will continue to be on ensuring healthy lives and promoting the wellbeing for all at all ages. Other causes of death are tuberculosis, AIDS, acute respiratory tract infections and diarrhea diseases. The main epidemic-prone disease is cholera. The leading contributing factors included flooding, high levels of poverty and malnutrition, and inadequate access to clean water and sanitation.

INSIDA institute data shows that the prevalence of HIV and AIDS among Mozambican adults aged 15-49 is 11.6% (2022 est.) and the number of people living with HIV (adults and children) increased from 2.2 million in 2018 to 2.4 million in 2022. In the same age group, women's HIV prevalence rate (14.8%) is almost double that of their male counterparts (8.3%). The Government has strengthened preventive measures, providing more ways for fewer deaths occur as a result of HIV / AIDS and / or related diseases. These include the distribution of condoms in Counselling and Testing in health services (ATS), Friends Services Adolescent and Young (YFS), Voluntary Testing Program (PMTCT), family planning consultations (PF) and pre-natal consultations external and home care. The results have been generally encouraging with targets being surpassed.

Mozambique is striving to attain sustained epidemic control by adhering to the "95-95-95" goals established by UNAIDS. These goals aim to ensure that, by 2030, 95% of individuals living with HIV are aware of their status (1st 95), 95% of those diagnosed receive sustained antiretroviral therapy (ART) (2nd 95), and 95% of those on ART achieve viral suppression (3rd 95). Mozambique is making progress with over 1 million individuals on treatment. Nevertheless, challenges in treatment retention, especially among children, adolescents, and young adults, pose a threat to these efforts. For instance, in 2017, the 12-month retention rate was only 70%, dropping to 62% among adolescents.

Mozambique is significantly impacted by tuberculosis (TB), with approximately 12,400 TB-related deaths occurring annually, according to 2020 WHO and MOH data. The TB program has seen impressive increases in case notification, with the current estimated TB burden at 110,000 cases. Additionally, the treatment success rate (TSR) has reached 93%, marking a significant improvement. Despite these gains, TB remains a public health challenge in Mozambique.

The co-occurrence of the HIV and TB epidemics further complicates the situation, with nearly half of TB-related deaths affecting people living with HIV. Malaria, HIV, and tuberculosis are substantial public health concerns in Mozambique.

Malaria was the fourth leading cause of death in the country in 2019, causing 42% of deaths among children under five. Mozambique also has one of the highest global incidences of malaria-HIV and TB-HIV co-infection, which poses risks for clinical outcomes. Mozambique remains at risk for malaria, with the highest risk areas in the northern and coastal regions. About 77% of the population lives in districts with malaria incidence above 100 cases per 1,000 population. In 2022, malaria accounted for 27% of outpatient visits and 38% of hospital admissions. Notably, there has been a 48% reduction in in-hospital malaria-related mortality from 2017 to 2022.

The national HIV program has made substantial strides in expanding HIV services. In FY21, nearly 8 million HIV tests were conducted, resulting in 319,689 newly diagnosed people living with HIV (PLHIV), of which 301,659 initiated ART. These achievements have contributed to notable improvements in the 95-95-95 cascade. The estimated knowledge of HIV+ status (1st 95) stands at 90%, though it varies by age and sex, with young males aged 15-24 exhibiting the lowest knowledge of status at 78%.

Mozambique's disease control efforts are hampered by limited domestic resources, inadequate infrastructure, shortages of qualified public health professionals, and insufficient medical supplies. The majority of funding for combating HIV, TB, and malaria comes from external sources.

The contributions to the PROSAUDE health program have decreased significantly, with a notable drop since around 2015, attributed to the Mozambican government's hidden debt issue. The decline in funding has led to challenges such as a halt in the hiring of medical personnel, medicine shortages, and an overall reduction in the health budget.

There has been progress in the number of AIDS-related deaths since 2010, with a 36% decrease, from 64 000 deaths to 48 000 deaths in 2022. The number of new HIV infections has also decreased, from 160 000 to 97 000 in the same period. The 95–95–95 targets envision that, by 2020, 95% of people living with HIV will know their HIV status, 95% of people who know their HIV-positive status will be accessing treatment and 95% of people on treatment will have suppressed viral loads. In terms of all people living with HIV, reaching the 95–95–95 targets means that 81% of all people living with HIV are on treatment and 73% of all people living with HIV are virally suppressed. In 2020 in Mozambique is yet to achieve the target, since 86% of people living with HIV knew their status while 81% of people living with HIV were on ARV treatment.

Of all adults aged 15 years and over living with HIV, 81% were on treatment, while 72% of children aged 0–14 years living with HIV were on treatment. Among the pregnant women living with HIV, 93% accessed antiretroviral medicine to prevent transmission of the virus to their baby, preventing 28 000 new HIV infections among new-borns. Early infant diagnosis?the percentage of HIV-exposed infants tested for HIV before eight weeks of age?increased to 73% in 2022 from 66% in 2018.

Sources: WHO, UNAIDS, UNICEF. UNFPA

he Health sector in Mozambique sector relies annually on large off-budget financing, provided by external development partners. For the 2021 financial year, external resources include, specifically, External Donations for Medicines, with an allocation of 2.9 billion Meticais, which represent 28% of total External Resources. Vertical Funds had an allocation of 7.2 billion Meticais and represent 69%. External Credits with an Endowment of 0.25 billion Meticais, corresponding to 3% of the total External Resources. Between the years 2000 and 2019 the under-five infant mortality rate declined from an average 170 deaths per 1,000 live births to 47.75 deaths. With respect to maternal mortality, Mozambique reduced the mortality rate from an average 915 deaths per 100,000 live births to an average 289 deaths in 2017. Malaria remains the most common cause of death, responsible for 42% of under-five child mortality and 29% for the general population. Children under five years of age and pregnant women are the most vulnerable groups. The disease accounts for up to 44% of all out-patient consultations and 57.6% of all pediatric admissions at district hospitals. HIV shows a downward trend, stabilizing at a relatively high rate of 11.5% prevalence among adults. In the context of the Post-2030 Agenda and the Sustainable Development Goals (SDGs), Government emphasis will continue to be on ensuring healthy lives and promoting the wellbeing for all at all ages. Other causes of death are tuberculosis, AIDS, acute respiratory tract infections and diarrhea diseases. The main epidemic-prone disease is cholera. The leading contributing factors are high levels of poverty and malnutrition, and inadequate access to clean water and sanitation. INSIDA institute data shows that the prevalence of HIV and AIDS among Mozambican adults aged 15-49 is 12.4% (2019 est.) and the number of adults and children alive at year-end with HIV infection was estimated at 2.2 million in 2018). Women of the same age group have a higher prevalence rate than men. HIV accounts for about 27% of all deaths in the country. The Government has strengthened preventive measures, providing more ways for fewer deaths occur as a result of HIV / AIDS and / or related diseases. These include the distribution of condoms in Counselling and Testing in health services (ATS), Friends Services Adolescent and Young (YFS), Voluntary Testing Program (PMTCT), family planning consultations (PF) and pre-natal consultations external and home care. The results have been generally encouraging with targets being surpassed.There has been progress in the number of AIDS-related deaths since 2010, with a 16% decrease, from 64 000 deaths to 54 000 deaths until 2018. The number of new HIV infections has also decreased, from 160 000 to 150 000 in the same period. The 90–90–90 targets envision that, by 2020, 90% of people living with HIV will know their HIV status, 90% of people who know their HIV-positive status will be accessing treatment and 90% of people on treatment will have suppressed viral loads. In terms of all people living with HIV, reaching the 90–90–90 targets means that 81% of all people living with HIV are on treatment and 73% of all people living with HIV are virally suppressed. In 2018 in Mozambique still has to do significant work to achieve such objectives as 72% of people living with HIV knew their status and 56% of people living with HIV were on treatment.Of all adults aged 15 years and over living with HIV, 55% were on treatment, while 60% of children aged 0–14 years living with HIV were on treatment. More than 95% of pregnant women living with HIV accessed antiretroviral medicine to prevent transmission of the virus to their baby, preventing 18 000 new HIV infections among newborns. Early infant diagnosis?the percentage of HIV-exposed infants tested for HIV before eight weeks of age?stood at 66% in 2018Sources: WHO, UNAIDS, UNICEF. UNFPA

10. Social Protection and Labor

Criteria Score: 3

10.a. Social safety net programs

Score Type	Value
Draft Score	3.5
Reviewed Score	3.5
Second Draft Score	3.5
Final Score	3.5

Country Notes:

In Mozambique, poverty is prevalent (48.1 percent) with comparatively flat consumption levels for households in the poorest four quintiles. Among the poorest 32 percent of households, roughly one third, lives in urban areas (2.5 million people).

The main shocks triggering humanitarian responses in Mozambique in the last decade are climatic, with droughts and annual flooding and cyclones. The country has also faced periodic economic shocks. Although the majority of poor in Mozambique live in rural areas, urban food insecurity was identified as a significant and visible problem stemming from the crisis, since almost half the population in the cities is poor. Given the countries vulnerability, increasingly the government wants social protection programs to play a role in responding to emergencies and crises.

The social protection law of 2007 establishes social protection systems across three tiers: basic social security; compulsory social security, and supplementary social security. Basic social security relates to non-contributory social assistance, while compulsory and supplementary social security are the contributory elements of the law (e.g. public and private sector pension contributions, etc.). The main social protection program in the country are in the form of non-contributory social assistance interventions covered under basic social security.

Basic social security is one of the social protection subsystems in Mozambique, as established in the 2007 social Protection Law. The basic social security subsystem is divided into four components: Direct social action, social action in education, social action in Health, and Productive social action. The Ministry of Gender, Children and Social Action (MGCAS) is the government institution that directs and coordinates the execution of government policies in the areas of Direct social action and Productive social action. The National institute for Social Action (INAS), subordinated to MGCAS, is responsible for the execution of direct and productive social action programs in coordination with other governmental and non-governmental organizations.

In 2010 the first National Basic Social Security Strategy (ENSSB I) was approved for the period 2010–2014, including a set of old (e.g. the Basic Social Security Program—PSSB) and new (e.g. the Productive Social Action Program—PASP) non-contributory social protection program, all implemented by the National Institute for Social Action (INAS) under the policy guidance of the Ministry of Gender, Child and Social Action (MGCAS).

In 2010, the first National Basic Social Security Strategy (ENSSB I) was approved for the period 2010–2014, including a set of old (e.g. the Basic Social Security Program—PSSB) and new (e.g. the Productive Social Action Program—PASP) non-contributory social protection programs, all implemented by INAS under the policy guidance of MGCAS.

In 2016, the Government of Mozambique approved ENSSB II for 2016–2024. The new strategy adopts a longer time horizon, effectively reflecting a progressive and ambitious vision for non-contributory social protection in Mozambique, including: 1) the redesign of the PSSB with the gradual introduction of an old age grant, a disability grant and a three-pronged child grant; and the adoption of a targeting approach aiming at excluding those who are not poor nor at risk of poverty; 2) the introduction of a dedicated program for the delivery of multipurpose social welfare services at community level; 3) a gradual increase in the value of social transfers; and 4) the strengthening of the institutional, human, physical, technical and financial capacity of INAS and MGCAS, including the decentralization of INAS personnel at district level and the roll-out of the recently developed integrated management and information system e-INAS. The strategy in particular includes the potential introduction of programs that are responsive to flood, cyclones and drought. The ENSSB II therefore opens the door to having social protection systems play a greater role in response to major shocks

Social protection systems and operations face a number of constraints, including limited staffing and presence at district and community levels; limited material resources including vehicles and fuel to support routine functions; time-consuming manual payment mechanisms; limited MIS and low program coverage.

INAS is a centralised administrative agency that has 30 offices across the country. These offices, known as delegations, are based in all provincial capitals, Maputo city, and in only 19 other districts (out of a total of 128) across the country. Given their limited footprint at the district level, the delegations are normally responsible for a number of districts in their vicinity, and report directly to the headquarters in Maputo.

At the national level MGCAS is also responsible for sectoral coordination of basic social security through the Council of Coordination of Basic Social Security (CCSSSB), created in 2011, with membership from Ministries of Public Works, Agriculture, Finance, Health and Education. However, MGCAS has not been very successful in managing this process, with limited convening power and authority to hold to account other line ministries for their activities.

Despite a remarkable increase in beneficiaries of Social Protection programs in Mozambique over recent years, the current level of coverage is still below the Government’s strategic goals. In the 2019 State Budget, the Ministry of Gender, Children and Social Action and the National Social Action Institute was allocated MT 6.9 billion (b), representing the largest allocation of all times both in nominal and real terms. The 2019 Social Action sector’s budget occupied a 2 percent share of the entire State Budget and 0.7 percent of expected Gross Domestic Product. Despite the increase in the allocation to Social Action, Mozambique is not on track to achieve its National Basic Social Security Strategy (ENSSB) goal of allocating 2.4 percent of GDP to the sector by 2024. In nominal terms, internal resources allocated to Social Action in 2019 Budget are worth MT 4.6 billion (b), which is a 7 percent increase relative to 2018.In addition, while the Social Protection programs allocations to most disadvantaged provinces have increased in nominal terms, per capita allocations are not equitable yet. The per-capita allocations to the poor increased relative to previous years but these are not yet equitable across the country, which is of concern in the current context of limited fiscal space and increasing inequalities.

10.b. Protection of basic labour standards

Score Type	Value
Draft Score	4.0
Reviewed Score	4.0
Second Draft Score	4.0
Final Score	4.0

Country Notes:

From the previous CPIA, no new conventions were reported to be ratified. Mozambique has ratified 18 ILO Conventions, including the 8 Core Conventions and three of the four Priority Conventions (e.g. C182 Worst Forms of Child Labor; C105 Abolition of Forced Labor; C87 Freedom of Association and Protection of the Right to Organise).

However, in 2023 Mozambique passed the new Labour Law no. 13/2023, which repeals the old Law no. 23/2007 and will be effective as of 21 February 2024. The new Labour Law introduces innovations related to protection of basic labour standards including provisions on harassment, alternative work schedule regimes and suspension of employment for reasons of force majeure.

Mozambique has also created in June 2011 a National Decent Work Country Program with the overall objective of contribute to the national priorities of inclusive and sustainable growth and poverty reduction by promoting decent work opportunities for all. Emphasis will be placed on the most vulnerable and disadvantaged groups in the labor market: young people, women, people with disabilities and people infected and affected by HIV/AIDS. The program identified three priorities

For the overall objective, three priorities are identified: (1) poverty reduction through creation of decent work with special focus on women, young people, people with disabilities, and people infected and affected by HIV/AIDS; (2) extension of social protection to all; and (3) strengthening fundamental principles and rights at work through social dialogue mechanisms at all levels, with emphasis on women, young people, people with disabilities and people infected and affected by HIV/AIDS. Cross-cutting issues incorporated throughout the Decent Work priorities are gender equality, HIV/AIDS and TB, integration of the informal economy, de-bureaucratization of procedures, and good governance. The outcomes expected for the first priority are According to the document, the first priority above will have the following outcomes: (1) policies, strategies and legislative environment established/improved for creation of decent employment, business development and growth, and improved investment conditions; (2) improved conditions for enterprise creation and growth with a view to generating Decent Work, particularly in Micro, Small and Medium Enterprises; and (3) improved access to and quality of vocational training for increased employability of target groups. With In respect to the second priority above, the following outcomes are expected: (1) improved capacity of Social Security Institutions for extending their coverage and providing better benefits for all; (2) improved Occupational Health, Safety and Hygiene (OHSH); and (3) strengthened partners' institutional capacity for delivering services to respond to workplace HIV & AIDS, TB and malaria, incorporating gender aspects, and including development of HIV & AIDS and TB policies and programs.

As regard to the third priority above, the following outcomes are provided: (1) improved implementation of Fundamental Principles and Rights at Work; (2) political and institutional frameworks improved for reduction of child labor, particularly in its worst forms; and (3) social Dialogue Institutions strengthened. In terms of social dialogue, Mozambique has created the Labor Advisory Commission (CCT), a tripartite body for dialogue and consultation between the government and representative employers' and workers' organizations. Given the dimension of the child labor problem, it is worth noting that the Labor Code addresses the issue dealing with Employment of Young Persons**.**

The constitution and law provide that workers, with limited exceptions, may form and join independent trade unions, conduct legal strikes, and bargain collectively. The law requires government approval to establish a union. The government has 45 days to register employers' or workers' organizations, a delay the International Labor Organization (ILO) deemed excessive. Approximately 3 percent of the labor force are affiliated with trade unions. An employee fired with cause does not have a right to severance, while employees terminated without cause do. Unemployment insurance does not exist and there is not a social safety net program for workers laid off for economic reasons. The current Labor Law, in place since 2007 is currently being revised by the Government and a process of public consultation has just begun. The intention, among others, is to introduce flexibility in the hiring of labor and guaranteeing fundamental labor rights.

10.c. Labour market regulations

Score Type	Value
Draft Score	2.5
Reviewed Score	2.5
Second Draft Score	2.5
Final Score	2.5

Country Notes:

Mozambique registered some slight improvements on its Labor Market ratings. The WEF GCI 2019 overall Labor Market increased its score to 43.2, keeping the same position (138) than in 2018. Most of the GCI criteria score between 3.2 and 4.3. Pay and Productivity criteria scored just 2.8, same as in 2018m in line with the identified lack of productivity of the average worker, whereas Flexibility in Wage Determination that increased from 4.0 to 4.3. Mozambique scored 41.7/100 in the 2020 Heritage Foundation's "Labor Freedom", a decrease from previous years.

The 2004 Constitution of the Republic, Immigration Law 5 of 1993, and Labor Law 23 of 2007 are the main laws pertaining to the movement of natural persons. Other important instruments include Decree 26 of 1999 which regulates work visas. After the Constitution, the Labor Code is the main legal instrument that defines the general principles of, and governs individual and collective labor relations in the country. It was produced based on a broad debate and consultation among the tripartite partners on the Labor Advisory Commission (CCT) and civil society stakeholders. It addresses new situations, including new types of employment contracts such as fixed-term contracts, more flexibility in the recruitment of foreign workers while, at the same time, safeguarding domestic labor, and more flexible working hours, without dehumanizing employment.

The Ministry of Labor has the regulatory role of the Job Market. There are several more important labor related instruments. Firstly, Act No. 50/09 of September 11 establishes the Labor Mediation and Arbitration Commission (COMAL) and approves the respective regulations. Secondly, Act No. 45/09, of August 14, regulates Labor Inspection, which is also a key labor legislation. Finally and with regard to HIV/AIDS, Act No. 5/2002 of May 5, and Act No. 12/2009 of March 12 establish the rights and obligations of persons living with HIV/AIDS, and means for prevention, protection and treatment, are paramount for monitoring and enforcing workplace legislation implementation.

The legal framework for social protection is provided by the Law 4/2007, and all citizens are entitled to social protection under the Constitution. The social security coverage has, by virtue of Law 4/2007, been extended to include self-employed workers, however in practical terms, compulsory social security is still restricted to formal economy workers. Employers have a statutory duty to see that their employees are registered with the INSS, an institution with tripartite management structures run by the Ministry of Labor. Once registered, the employer deducts the statutory contributions from the worker’s wage and forwards them to the INSS. The INSS is currently extending coverage to further categories of employed and self-employed workers.

10.d. Community driven initiatives

Score Type	Value
Draft Score	2.5
Reviewed Score	2.5
Second Draft Score	2.5
Final Score	2.5

Country Notes:

The Ministry of Economy and Finance has identified more than 3.000 Non-Governmental organizations operating in Mozambique, the majority in rural areas working with proximity projects and supporting community-driven initiatives. There are initiatives in a broad set of areas, ranging from health, water supply and sanitation, tourism, natural resources management, agriculture conservatism, micro financing, fishing, entrepreneurship, food-security and others. Development partners are also active in supporting this sort of activities as a key vector of population empowerment and sustainable poverty reduction.

The government approved its Corporate Social Responsibility Policy in 2014, with a specific section on extractive industries and local communities. The new oil & gas law also includes specific provisions for community driven development projects to be implemented by project promotes. Companies are to make available funds to be utilized in the construction of social infrastructure such as houses, schools, hospitals, and access roads. The assistance packages will also be allocated to development projects in the community (such as agriculture, fishing and other activities). Companies are to carryout training in conservation farming techniques; providing the located families with fruit trees and replacement seedlings; building a tree nursery and developing a cashew management programs. These projects will allow the community to become increasingly self-sustaining over time. However, there is no clear and defined policy framework or regulatory body, or governmental program to encourage or support communities' own development initiatives. However, the government is open to support community-driven initiatives, and has made available limited funding for community leaders of impoverished regions.

The Local Content regime complements the CSR policy. For example the special legal and contractual regime applicable to the Rovuma Basin Liquefied Natural Gas (LNG) Project defines the Local Content requirements to be observed by the oil companies operating there. For example, Decree-Law No. 2/2014 from 2nd December establishes in its Art 10, among other provisions, that there should be preference in the contracting of supply of goods and services to national companies, owned by Mozambican citizens or legal entities and/or held by Mozambican citizens.

10.e. Pension and old age savings programs

Score Type	Value
Draft Score	2.5
Reviewed Score	2.5
Second Draft Score	2.5
Final Score	2.5

Country Notes:

In 2014 the parliament approved the Law on the Promotion and Protection of the Rights of the Elderly, establishing the effective coverage of the social protection pillars. However, coverage is still extremely limited due to the system's early days of implementation, and the low coverage by contributory schemes given the preponderance of the informal economy and subsistence farming from which most of the elderly contributors originate. In addition, the amount of money provided (MZN 450 or USD15 per month) is insufficient to cover living costs in urban Mozambique. In reality, it means that approximately 80% of the 1.8 million elderly people have to survive on less than $1 a day.

Latest available data from 2015, shows that total active beneficiaries from the National Social Security were 1,387,383 with 68,030 active contributors. the bottom 15% poorest households in rural areas and the poorest 25% in urban areas. The other short-term benefits provided by the National Social Security Institute (including sickness, survival and funeral grants) reached fewer than 10,000 workers. Private pensions are only used by 1 and 4% of rural and urban adults, which is consistent with the fact that only few private pension companies exist in Mozambique.

11. Environmental Policies and Regulations

Criteria Score: 4

11. Environmental Policies and Regulations

Score Type	Value
Draft Score	4.0
Reviewed Score	4.0
Second Draft Score	4.0
Final Score	4.0

Country Notes:

Mozambique is rich in natural resources and endowed with considerable biological diversity. Forest, fisheries, agriculture, livestock and tourism resources contributes to social economic development. Mozambique is the 35th most vulnerable country and the 24th least ready country to climate change globally. The impact of Cyclone Kennedy in 2023, the longest and most energetic on record worldwide, caused hundreds of humans loses, displaced thousands of people and damaged key infrastructure. The main strategic instruments in place are the National Strategy for Adaptation and Mitigation to Climate Change (2013-2025) and Strategy for New and Renewable Energy Development (EDENR) 2011–2025 that articulates Mozambique's Nationally Determined Contribution (2015). Moreover, the Law on Disaster Risk Reduction and Management (DRM Law 10/2020) complemented by Decree 76/2020, which provides a set of regulations and procedures, provides the legislative framework for DRM in Mozambique. Recently, sectorial legislation including Ministerial Order No. 122/2021 approving the Guidelines on Resilience to Natural Threats, Environmental and Social Safeguards for School Buildings, Resolution No. 15/2023 creating the Technical-Scientific Commission on Climate Change (CTCMC), etc.

Environment Framework

Mozambique also has good environmental management institutional and policy frameworks for ensuring sustainable environmental and social management that also include regulations for environmental and social impact assessment and air emissions and effluent standards. These include: Environmental Law (Law 19/97); Law of Forestry and Wildlife (Law 10/99); Conservation Law (Law 16/2014); Environmental Impact Assessment Regulations (Decree 54/20015); Standards for Environmental Quality and Effluent Emissions (Decree No. 18/2004) and Environmental Auditing Regulations (Decree No. 32/2003).

The Ministry of Land and Environment (MTA) is the Government institution responsible for ensuring the preservation and responsible use of natural resources including land, the coordination of environmental activities and environmental licensing, given its nature and characteristics this is an area in which all the sectors and people have a role to play. This is also reflected in a series of institutional arrangements. The MTA as the lead institution in environmental management and enforcement of compliance with regulations and standards has decentralized offices at Provincial levels. The MTA is responsible for review of Environmental and Social Impact Assessments (ESIA) reports, issues environmental licenses, promotes public awareness of environmental issues and implements the territorial planning process. This ministry is also responsible for issuing land titles and managing the land registry, licensing forest concessions and managing conservation areas. Two key entities for environmental management at MTA are (i) the National Environment Directorate (DINAB) which deals with development of environmental policies, reviews documents associated with the ESIA process, and issues environmental licenses, etc, and (ii) National Agency for Environmental Quality Control (AQUA) which carries out audits and monitoring, both at central and provincial levels, and is responsible for reviewing and approving independent audit reports prepared by proponents. The National Directorate of Land and Territorial Development (DNTD) is responsible for regulating and defining policies, administration and management of land, territorial planning, managing resettlement processes and institutional coordination. At provincial level, the MTA is represented by the Provincial Directorate of Territorial Development and Environment (DPDTA), the Provincial Environmental Services (SPA) and by the Provincial Branch for the Agency for Environmental Quality Control (DPAQUA). At district level the District Planning and Infrastructure Services (SDPI) is the lead on environmental issues. These institutions mentioned above have among other responsibilities to enforce implementation of the National Environmental Policy (Resolution No 5/1995, of 3rd August); The Environmental Law (Law No 20/1997 of 1st October) and the Environmental Impact Assessment Process Regulation (Decree No 54/2015 of 31st December), the “Regulation on the Resettlement Process Resulting from Economic Activities (Decree 31/2012 of 8th August) and related regulations, as well as the several sectorial or specific environmental.

Therefore Country systems exist that can be used to implement the Bank’s Integrated Safeguards System because they are in line with it in most of its requirements such as categorizations, determining the ESIA studies processes and development and implementation of the ESMP and RAP to mitigate impacts on the environment and project affected person. MTA is in the process of revising and updating a number of environmental legislation, including the Environmental Law, Land Law, Forest Law. The Environment Law (Law nº 20/97) revision is at earlier stages whereas as the Land Law and Forest Law are more advances with some draft and consultations already taken place. In addition, MTA has recently prepared specific legislation for emerging issues such as the Ministerial Diploma 55/2022 on Biodiversity Offsets, Ministerial Order No. 118/2022 Directive on Independent Expert Reviewers of Environmental Impact Assessments for Category A+ Activities.

Environment and Illicit Financial Flows:

Environmental crimes are also a major source of IFFs in Mozambique. These include illegal mining, illegal logging and wildlife crimes. Mozambique has a substantial market for illegal logging mainly for sale in China's lucrative market for timber. There are allegations of collusion between criminal networks and government officials, who facilitate the shipment of illicit wood out of the country by issuing false licenses and authorizations. Similarly, illegal, unreported and unregulated fishing is prevalent off the coast of Mozambique. The country is also one of the principal suppliers of illicit ivory and rhino horns to Asia, despite government efforts on monitoring and creating broad awareness and apprehension campaigns. The Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) typologies report on wildlife crimes (2016), showed that rhino population in Mozambique was estimated to be about 250 in the 1980s but had reduced to only about 25 in 2016 and it rated Mozambique as one of the high-risk countries in this regard. Between 2014 to 2019, authorities recorded 70 cases of seizures of smuggled wildlife including ivory, rhino horns and others with about 5,3 tonnes of contrabands confiscated. Further, Mozambique has an active market for non-renewable-resource crimes. Illegal dealing in precious stones and metals is another major source of IFFs in the country, in particular, the northern region of Cabo Delgado. The country is also a transit route for smuggled diamonds from Zimbabwe and illicit gold from South Africa that end up being sold mainly either in the Middle East or Asia .

Climate Change and Green Growth Framework

The policy framework for climate change comprises the ones mentioned in the first paragraph and National Strategy for Adaptation and Mitigation to Climate Change (2013-2025), notably formulated prior to the SDGs and Paris Agreement complemented by the Nationally Determined Contribution to the Paris Agreement 2015), the Action Plan and Road Map for Green Economy (2013, 2015) – pillars: sustainable infrastructure, efficient and sustainable use of resources, and strengthening resilience and adaptability; while the development of the National Adaptation Plan is in progress. At sectoral level relevant instruments include the Strategy for Reducing Emissions Resulting from Deforestation and Forest Degradation (REDD+) and Strategy for New and Renewable Energy Development (EDENR) 2011–2025.

The NDC articulates the national commitment to reduce approximately 76.5 $MtCO_2e$ in the period from 2020 to 2030, with 23.0 $MtCO_2e$ by 2024 and 53.4 $MtCO_2e$ from 2025 to 2030 – conditional upon provision of means of implementation (finance, capacity building, improved technology). The NDC specifies the implementation of the Master Plan for Natural Gas (2014 -2030) in parallel with implementation of Renewable Energy Development Strategy. Bank investment in the LNG Area 1 project was justified due to the inclusion of the Gas Masterplan in the NDC while also taking into consideration the allowance articulated in the Paris Agreement for developing countries to delay peaking of their emissions in the context of poverty reduction and sustainable development. The emissions form the LNG Area1 project will be significant; mitigated to the extent possible through the deployment of best available technology, energy efficiency compliance and a carbon sequestration initiative (reforestation/reforestation).

The challenges to be overcome in order to facilitate the transition to low-carbon and climate resilience development are securing the means of implementation (capacity building, financing, technology transfer), and ensuring consistency between development and climate/environmental objectives – e.g. mainstreaming climate change, disaster risk reduction, green growth in the national development planning processes and policies to ensure synergies are maximized and trade – offs minimized.

Environmental crimes are also a major source of IFFs in Mozambique. These include illegal mining, illegal logging and wildlife crimes. Mozambique has a substantial market for illegal logging mainly for sale in China's lucrative market for timber. There are allegations of collusion between criminal networks and government officials, who facilitate the shipment of illicit wood out of the country by issuing false licenses and authorizations. Similarly, illegal, unreported and unregulated fishing is prevalent off the coast of Mozambique. The country is also one of the principal suppliers of illicit ivory and rhino horns to Asia, despite government efforts on monitoring and creating broad awareness and apprehension campaigns. The Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) typologies report on wildlife crimes (2016), showed that rhino population in Mozambique was estimated to be about 250 in the 1980s but had reduced to only about 25 in 2016 and it rated Mozambique as one of the high-risk countries in this regard. Between 2014 to 2019, authorities recorded 70 cases of seizures of smuggled wildlife including ivory, rhino horns and others with about 5,3 tonnes of contrabands confiscated. Further, Mozambique has an active market for non-renewable-resource crimes. Illegal dealing in precious stones and metals is another major source of IFFs in the country, in particular, the northern region of Cabo Delgado. The country is also a transit route for smuggled diamonds from Zimbabwe and illicit gold from South Africa that end up being sold mainly either in the Middle East or Asia

[1] https://gain-new.crc.nd.edu/country/mozambique

Sources: CSP 2023-2028, CDN 2022

(D) Public Sector Management and Institutions

Cluster Score: 2.967

12. Property Rights and Rule-based Governance

Criteria Score: 2.625

12.a. Legal basis for secure property and contract rights

Score Type	Value
Draft Score	2.0
Reviewed Score	2.0

Second Draft Score	2.0
Final Score	2.0

Country Notes:

The legal system recognizes and protects property rights to buildings and movable property. Private ownership of land, however, is not allowed in Mozambique. Land is owned by the State. The GoM grants land-use concessions called DUATs (Direitos de Uso e Aproveitamento da Terra) for period of up to 50 years renewable and are not easily transferable. Essentially land-use concessions serve as proxies for land titles. The process to award land concessions is not transparent and the government at times has granted overlapping land concessions.]. The Mozambican banking community uses property other than land –cars, private houses, and infrastructure- as collateral, as it is not possible to securitize property for lending purpose. The system of DUATs presents difficulties in terms of bankability and collateralisation. The enforcement of intellectual property rights (IPR) exhibits a sporadic and inconsistent pattern, with visible presence of counterfeit products and limited prosecution. Recent developments, including the establishment of the Land Commission and the passage of copyright bills, indicate ongoing challenges and reforms in the property and IPR landscape. The score of 3.0 reflects that while there are regulatory systems in place for both property and IPR, they are currently characterised by certain limitations, inefficiencies, and a lack of comprehensive enforcement. The government is current carrying public consultations on a envisaged Land Reform.

There's a regulatory body, The Agency for Promotion of Investment and Exports (APIEX), assisting investors in navigating land development procedures. On the intellectual property front, Mozambique has made attempts to align with international standards, such as the World Trade Organization (WTO) Trade-Related Aspects of Intellectual Property Rights (TRIPS) Agreement and has joined the African Regional Intellectual Property Organization (ARIPO) to streamline trademark processes. On the other hand, the process of acquiring DUATs lacks transparency and is not easily transferable, serving as a barrier for some sectors like agriculture. Additonally, the government at times has granted overlapping land concessions. In terms of the issuance of land titles for most concessions, the process typically spans an average of 90 days.

Contract enforcement through courts can be uncertain due to limited judiciary capacity. Corruption, scarce resources, and poor training undermine judicial independence. The judicial system is further challenged by a dearth of qualified judges and a backlog of cases. Enforcing contracts is the second worst indicator of the 2020 World Bank Doing Business report. It ranks Mozambique 168 of 190 countries (but 184 in 2016) showing an improvement. It takes 43 days (40 in 2016) to register a property, involving 8 (6 in 2016) procedures.

The right to property is guaranteed in the constitution; nevertheless, in practice property rights are weakly protected. On the WEF GCI 2019 indicator of Property Rights shows a tendency of deterioration to 3.4 from 3.6 in 2018, sliding 1 place to 126 out of 141 countries. The WB 2020 Doing Business report, however, registered an improvement on the cost of registering property to 5.0% of the property value (5.3% in 2016) although moving the country 3 places in the ranking to 136 compared to 2019. Property rights in the 2021 Index of Economic Freedom have increased its performance as an index gradually since

2018, to 29.5.

Sources: WEF, WB, Heritage Foundation, 2023 Investment Climate Statements: Mozambique

The legal system recognizes and protects property rights to buildings and movable property. Private ownership of land, however, is not allowed in Mozambique. Land is owned by the State. The GoM grants land-use concessions called DUATs (Direitos de Uso e Aproveitamento da Terra) for period of up to 50 years renewable and are not easily transferable. Essentially land-use concessions serve as proxies for land titles. The process to award land concessions is not transparent and the government at times has granted overlapping land concessions. It takes an average of 90 days to issue a land title for most of the concessions. The Mozambican banking community uses property other than land –cars, private houses, and infrastructure- as collateral, as it is not possible to securitize property for lending purpose. The government is current carrying public consultations on a envisaged Land Reform.Contract enforcement through courts can be uncertain due to limited judiciary capacity. Corruption, scarce resources, and poor training undermine judicial independence. The judicial system is further challenged by a dearth of qualified judges and a backlog of cases. Enforcing contracts is the second worst indicator of the 2020 World Bank Doing Business report. It ranks Mozambique 168 of 190 countries (but 184 in 2016) showing an improvement. It takes 43 days (40 in 2016) to register a property, involving 8 (6 in 2016) procedures.The right to property is guaranteed in the constitution; nevertheless, in practice property rights are weakly protected. On the WEF GCI 2019 indicator of Property Rights shows a tendency of deterioration to 3.4 from 3.6 in 2018, sliding 1 place to 126 out of 141 countries. The WB 2020 Doing Business report, however, registered an improvement on the cost of registering property to 5.0% of the property value (5.3% in 2016) although moving the country 3 places in the ranking to 136 compared to 2019. Property rights in the 2021 Index of Economic Freedom have increased its performance as an index gradually since 2018, to 29.5.Sources: WEF, WB, Heritage Foundation

12.b. Predictability, transparency, and impartiality of laws affecting economic activity

Score Type	Value
Draft Score	3.0
Reviewed Score	3.0
Second Draft Score	3.0
Final Score	3.0

Country Notes:

The Mozambican judiciary is based on Civil Law. It is organized around four levels, topped by the Supreme Court, followed by the Court of Appeals and Courts at the provincial and district level, which deal with most cases in first instance. The law leaves the door open to the establishment of specialized courts, but Mozambique’s experience with dedicated commercial courts is very recent and not widespread. The efficiency of the judiciary system, as measured by the Global Competitiveness Index 2019, scores low with both the efficiency of legal framework in settling disputes at 2.9/7 (actually a marginal increase from the previous year) and the efficiency of legal framework in challenging regulations at 2.5/7 (remained constant). Mozambique nonetheless retains a fair classification for Strength of investor protection with 4.3 in 10 in 2017-2018 (5.2 in 2016-2017), despite having lost 20 places at 106/190 in the ranking (this indicator was interrupted). According to the World Bank Doing Business index 2020, enforcing contracts has a high cost of 53.3% of the claim and takes an average of 950 days, compared to 41.6% and 654.9 days, respectively in the SSA average.Mozambique has recently revised Law No. 3/93, of 24 June, to reflect the current context and dynamics of the national, regional and world economy with the aim of enhancing the investment and business environment in the country. This new law (Law No. 8/2023, of 9 June) establishes the legal regime, the bases and the general principles applicable to the realization of private investments in the Republic of Mozambique and eligible for the enjoyment of tax and non-fiscal guarantees and incentives. The notable achnages include · Article 5 (j), emphasizing the protection and enhancement of natural resources as investment objectives. · Article 8 shifts from a 90-day payment limit for compensation to a prompt and efficient compensation process. · Article 12 outlines the investor's obligations, including tax payments and contributing to social responsibility initiatives. · Article 16 broadens foreign direct investment categories. · Article 22 introduces two investment regimes and their applicable projects. · Article 23 adopts principles from the Law on the Formation of Public Will, emphasizing timely notifications and hearings. · Articles 25 and 26 strengthen administrative and judicial guarantees, while Articles 27 and 28 address infractions and sanctions, preserving the investor's right to information and a hearing before sanctions are imposed.The Mozambican judiciary is based on Civil Law. It is organized around four levels, topped by the Supreme Court, followed by the Court of Appeals and Courts at the provincial and district level, which deal with most cases in first instance. The law leaves the door open to the establishment of specialized courts, but Mozambique’s experience with dedicated commercial courts is very recent and not widespread. The Quailty of judicial process index scores higher than in SSA (8.5/18 compared to 6.9/18) in the Doing Business Report 2020.It is also worthy to note that investors face myriad requirements for permits, approvals, and clearances that take substantial time and effort to obtain. The difficulty of navigating the system provides opportunities for corruption and bribery, a scenario that is aggravated by the prevailing low wages for administrative clerks. Labor, health, safety, and environmental regulations often go unenforced, or are selectively enforced. In addition, civil servants have threatened to enforce antiquated regulations that remain on the books to obtain favors or bribes.The Mozambican judiciary is based on Civil Law. It is organized around four levels, topped by the Supreme Court, followed by the Court of Appeals and Courts at the provincial and district level, which deal with most cases in first instance. The law leaves the door open to the establishment of specialized courts, but Mozambique’s experience with dedicated commercial courts is very recent and not widespread. There's evidence of improvement in fiscal transparency post the "hidden debts" scandal. Legal actions, such as the convictions in the “hidden debts” trial, indicate a level of commitment to addressing corruption. The Quailty of judicial process index scores higher than in SSA (8.5/18 compared to 6.9/18) in the Doing Business Report 2020.

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1. · Article 5 (j), emphasizing the protection and enhancement of natural resources as investment objectives.

2. · Article 8 shifts from a 90-day payment limit for compensation to a prompt and efficient compensation process.

3. · Article 12 outlines the investor's obligations, including tax payments and contributing to social responsibility initiatives.

4. · Article 16 broadens foreign direct investment categories.

5. · Article 22 introduces two investment regimes and their applicable projects.

6. · Article 23 adopts principles from the Law on the Formation of Public Will, emphasizing timely notifications and hearings.

7. · Articles 25 and 26 strengthen administrative and judicial guarantees, while Articles 27 and 28 address infractions and sanctions, preserving the investor's right to information and a hearing before sanctions are imposed.

The Mozambican judiciary is based on Civil Law. It is organized around four levels, topped by the Supreme Court, followed by the Court of Appeals and Courts at the provincial and district level, which deal with most cases in first instance. The law leaves the door open to the establishment of specialized courts, but Mozambique’s experience with dedicated commercial courts is very recent and not widespread.It is also worthy to note that investors face myriad requirements for permits, approvals, and clearances that take substantial time and effort to obtain. The difficulty of navigating the system provides opportunities for corruption and bribery, a scenario that is aggravated by the prevailing low wages for administrative clerks. Labor, health, safety, and environmental regulations often go unenforced, or are selectively enforced. In addition, civil servants have threatened to enforce antiquated regulations that remain on the books to obtain favors or bribes.

The duration of public comment periods on draft bills has faced criticism for being too short, and the process of addressing feedback can sometimes fall short of adequacy. This is particularly relevant because public participation in legislative processes is crucial for creating transparent and effective regulations. Achieving complete fiscal transparency remains a work in progress, particularly concerning revenue streams like State-Owned Enterprise (SOE) earnings, which lack full transparency. This ties into the broader issue of transparency in financial management and how the government handles public funds. The presence of off-budget accounts that are not subject to adequate scrutiny raises concerns over transparency and accountability. References to certain antiquated regulations and the selective enforcement of some rules indicate potential irregularities in the regulatory framework.

12.c. Difficulty in obtaining business licenses

Score Type	Value
Draft Score	3.0
Reviewed Score	3.0
Second Draft Score	3.0
Final Score	3.0

Country Notes:

The progressive implementation of the business environment development strategy (EMAN II), launched in 2013, is yielding results. The one-stop business window (Balcão Atendimento Único – BAU) and its electronic version (eBAU) have helped to speed-up business licensing. Shops exist in the capital and all provincial capitals. A new integrated template (documento único) for business registration has also been introduced by the government in an effort to reduce the time to license. The recent enactment of a new Commercial Code, aligning Mozambique with international best practices, and the introduction of PRONACER represent significant strides in improving the business environment for SMEs.

In 2020, Mozambique ranked 138 (133 in 2016) among 190 countries in the World Bank Doing Business 2020 report. The report highlights that it takes 17 days (19 in 2016) to start a business and 10 procedures (same as in 2016). There is no minimum requirement to forming a business, but it can take up to 140 days to have the complete business licensing requirements. The World Bank reports that It takes 40 days to get electricity (91 days in 2016) due to improved management of electricity cuts and simplification of procedures . The World Bank reports that Mozambique requires 118 days (111 in 2016) and 11 (10 in 2016) procedures to get a construction permit. Overall Mozambique's performance in doing business decreased from to 55.53/100 in 2018 to from 55.0/100 in 2020.

For foreign investors, the Center for Investment Promotion (APIEX) assists in the process of setting up business and fast-tracking licensing. APIEX is a government entity that promotes and facilitates private and public investment in Mozambique. It was created as a merger of three institutions, the Investment Promotion Center, the Office of Economic Zones for Accelerated Development and the Institute for the Promotion of Exports.

The investment potential of Mozambique remains high but the climate of doing business is still not conducive. Particularly for small- and medium-sized enterprises (SMEs), the overall bureaucracy becomes a burden. In the ease of doing business index, Mozambique ranks 138 out of 190. In establishing a business, it features even lower at 176. Also, the approval of credit and high interest rates take its toll, making it difficult for SMEs to access affordable financing and leaves the country on place 165. However, and particularly for foreign investors, the business culture of covering illicit activities with ordinary business activities constitutes a serious risk. Thus, due diligence assessments should be a precondition for any business activity.

Source: World Bank Ease of doing Business 2016 and 2020, BTI Project

12.d. Crime and violence as an impediment to economic activity

Score Type	Value
Draft Score	2.5
Reviewed Score	2.5
Second Draft Score	2.5
Final Score	2.5

Country Notes:

From all the Mo Ibrahim IIAG 2022 Security and Safety indicators, only Absence of Violence against Civilians saw a gain in 2021 (57.1/100). Absence of Armed Conflict decreased to 72.6 (81.1 in 2020), Absence of Forced Migration to 94.1 (94.4 in 2020), Absence of Human Trafficking & Forced Labour to 67.7 (73.1 in 2020), and Absence of Crime remained the same as the previous year at 62.0. The WEF GCI rating of the Reliability of police services has been stable, rated at 2.7/7 and a ranking of 133/141 revealing one of the weakest aspects of public service delivery.

The Islamic insurgency in northern province of Cabo Delgado, which began in 2017, has led to over 3,800 deaths and a 780,000 of internally displaced people. It also led to the suspension of the largest investment project in the country, the exploration of LNG in the North of the country. Moreover, such insurgency o perates in an area that sees a lot of natural resources based illicit activities and financial flows that link to the global trafficking of drugs, weapons and people. The defense and security forces continue working to ensure that people who live in conflict prone areas work with them but a lasting solution is still to be seen, with the arrival in previous months of Rwandan security forces and more recently SADC forces.

Kidnappings of business leaders and their close relatives, a practice that seemed to have ended since the second half of the previous decade have recommenced with half a dozen being practiced just in the second half of 2021 and that has been increasing until half of 2013, with two fatalities. Gangs are also operating beyond the national capital and even attacking during roadtrips of business leaders and their relatives to South Africa.

On a positive note, the successful disarmament and re-integration of Renamo ex-combatants and the inclusion in the pension system shows progress in achieving long-term stability. Overall, while there are signs of improvement, significant security and humanitarian challenges persist.

Source: IIAG, Newspapers, Donors Mission to the North of Mozambique

13. Quality of Budgetary and Financial Management

Criteria Score: 3.625

13.a. Comprehensive and credible budget

Score Type	Value
Draft Score	3.0
Reviewed Score	3.0
Second Draft Score	3.0
Final Score	3.0

Country Notes:

Budget has become more realistic than in the previous assessment, however a series of shocks with great magnitude since 2019 (cyclones, pandemic, conflict in the north, COVID-19, Russian invasion of Ukraine) have forced expensidtures reallocations amid budgetary implmenation to adapt to increase of expenditures and reduction of revenues, as explaine din the previous section, creating a gap between initially planned and final results. It is important to note that the revisions process, although relevant to financial management Despite such shocks, the government did not revised its approved annual state budget since 2020, being this a one-off practice given the magnitude of the pandemic impacts.

Noticeably, GoM efforts to improve budget formulation, execution and transparency, among other Public Financial Management reforms, allowed development partners to resume more trust-based and program-based modalities of financing, after their suspension in 2016. The IMF approved a program in 2022 with the GoM providing USD 470 million for the implementation of a macroeconomic and structural reform program for the period 2022-2025, supported by the Extended Credit Facility (ECF). The World Bank (WB) has also approved a policy-based operation (PBO) of USD 300 million in direct support to Mozambique's State Budget. The AfDB approved a similar operation of USD 42 million in 2023.

Mozambique has a well-organized budget preparation process, including a clear calendar and processes for preparation and negotiation of budget proposals. This process involves participation of all Ministries and executing agencies and has several instances of consultations. However, postponements of the intermediary deliverables have been consistently observed. The law allows ad hoc modifications of budget allocations by the Minister of Economy and Finance after the budget has been approved by Parliament, in extraordinary circumstances such as during the COVID-19 pandemic. Budget execution over the last three years showed significant improvement at aggregated level, although within the budget there are significant allocations that sectorial Ministries argue have no management, with the Ministry of Economy and Finance holding the pen.

A significant amount of funds controlled by the executive is nonetheless not earmarked in outside the budget, particularly to the decentralized administration (Provinces) generating unequal treatment among the different regions of the country. There are efforts to improve that particularly within the specific allocation of natural resources revenues, at the level 10% to the provinces where extraction happens. That shows that to a certain extent the political decentralization process is being followed by earmarked fiscal resources from the Central to decentralized levels.

The Government resumed the publishing of the Fiscal Risk Reports and the Mid-Term Fiscal Scenario (3 years) which was incorporated in the approved revision of the SISTAFE law to a larger extent. Although in the right direction, gains from that process are still maturing . The Ministry of Economy and Finance (MEF) has adopted a credit risk assessment framework for SOEs to manage and reduce credit risks that has been incorporated in the MTFF. The assessment framework supports the implementation of the recent regulatory reforms for debt and SOE management. The GoM is now using the framework to produce credit reports for a set of priority SOEs. Besides, MEF prepared a strengthened fiscal risks report for 2022, covering the SOE sector, and introduced several scenarios in the analysis. The calibration of scenarios and clearly use them for budget planning will be the logical next step.

The IMF Article IV acknowledged the improvements achieved in assessing and mitigating fiscal risks and commended the authorities' decision to publish the 2019 fiscal risks assessment. The authorities were encouraged to regularly update this assessment, on a timely basis, to better inform the budget process, and to gradually increase the scope of fiscal risks and quantitative data covered in the report. Ongoing efforts to improve fiscal projections and deepen the assessment of fiscal risks related to SOEs and fiscal decentralization (provinces and districts) are also welcome.

The GoM approved a Public Investment Management (PIM) in June 2020 a decree, which gives more momentum to the PIM reforms that lacked the legal backing of regulations capable of unifying its different components and institutionalizing processes, roles and responsibilities under the National Public Investment System (Sistema Nacional de Investimento Público -SNIP). It provides a second tier of legislation below the public finance law and is an important achievement in Mozambique's PIM. All new investments projects since 2021 have been subjected to be included in the national budget were pre-appraised for social and economic impact and climate resilience and considered by the Public Projects Selection Technical Committee (Comité Técnico de Selecção de Projectos Públicos). Since the introduction of E-SNIP, the committee has approved around 200 projects and some of the approved projects are now being implemented.

In Mozambique, the budget is prepared in consultation with the different sectors to ensure that the state budget is aligned with the government's priorities and support pillars. To achieve the objectives set out in the PQG 2020-2024, its Priority Developing Human Capital and Social Justice, are expected to absorb most of the budgetary resources with MT210.7 million (44.6%) of total expenditure, followed by the priorities Boosting Economic Growth, Productivity and Job Creation and Strengthening the Sustainable Management of Natural Resources and the Environment, with amounts of MT178, 7million (37.9%) and MT 3.8 million (2.9%).

Mozambique has a citizen's budget published annually that summarizes the information contained in the budget, which allows the population to better understand the role, functioning and different allocations of the budget.

Despite efforts, there are still weaknesses to observe. The budget does not have an analysis of contingent liabilities. Furthermore, elections negatively affect the budget preparation cycle, with budgets being modified after the beginning of the fiscal year. The budget has incorporated forward looking features but its credibility or forecasting capacity is still low.the budget presentation still needs some adequacies to international norms, and deficits, as defined by the Government limits a full evaluation of the numbers. Furthermore, the Government is not using the concept of primary deficit during the preparation of the budget nor does it report it in the budget documents, increasing fiscal risk. In addition, the breakdown of expenditure (especially investment) according to programs and sub-programs has been halted, making an evaluation of budget execution and the preparation of main reports more difficult. Mozambique has an annually published citizen's budget that clearly summarises the information contained in the budget, however, by not following international standards it passess on differentwrong messages about the real financial gap.

Finally, since the interruption of Budget Support in 2017, current systems to track donors grants and projects within the national budget were implemented but none has been effective, showing big gaps in between received resources and budgeting/expenditures. ODAMOZ, the previous system, has been under review since 2019 but no concrete outcome has been delivered. Resumption of Budget Support in 2022 and 2023 by key partners such as the AfDB and WB my start reduce the discrepancies on the budget in the near future.

Source: Donors Group, GoM Mid-Term Fiscal Framework, GoM Fiscal Risks Reports IMF 2019 Article IV report

13.b. Effective financial management systems

Score Type	Value
Draft Score	3.5
Reviewed Score	3.5
Second Draft Score	3.5
Final Score	3.5

Country Notes:

Deviations from budget since 2019 are mainly coming from external shocks (rather than new projects or initiatives not aligned with the Government’s strategy) and it has happened more than in prior years on both aggregated expenditure and revenues. However, overall execution rate of effective spending has deteriorated compared to previous years. This is partly due to reduced external funding. The government publishes quarterly budget execution reports which are aligned with the approved budget proposal and to certain extent is aligned with the Country 5-year Development Plan (PQG 2020-2024) and its Economic and Social Plan directions.

Improvements in the e-Sistafe Modules have allowed the government to reduce it arrears and better manage its fiscal risks. However, some challenges still exist, such us the lack of including several donor projects in the system and some autonomous institutions.

The PEFA indicates that the budget credibility is generally high, based on aggregate level analysis which shows that expenditure budgets are realistic and that budget discipline is good, reflecting a good link between budget formulation and execution. The Comprehensiveness of information included in budget documentation is, in most cases, relevant and accurate data is available but it is not always presented in the Executive's Budget Proposal. Aggregate amount of the overall budget deficit is clearly identified both in the Budget Foundation Document and in the Budget Law, and the Government has incorporated the Budget Balance with the current balance or the overall balance before and after grants, according to internationally accepted standards. In the same way, the documentation does not contain information on the debt stock and the forecast on its development but it is present in other documents such as the Budget Execution Quaterly reports, Debt Management Reports for the last 3 years published recently as well as more forward looking documents. In addition, from the latest PEFA 2020, there has been an improvement on the individual Ministries' mid-term budgets alignment with medium-term strategic plans for the last years.

However, as the government does not include sovereign financial obligations coming from its SOEs and indirect administrations on its debt calculations which create a critical gap in debt levels pointed by the government (93% of GDP in 2020) and IFI's (122% of GDP in 2020 as indicated by the World Bank). The last PEFA 2020 and revealed that 65% of the indicators from PEFA have their performance classified as basic (C and C+) or higher (B and B+ in 4 indicators) and the rest as below the basic (D in 11 indicators). . Between the current PEFA and the previous one (2015), 4 indicators have improved, 10 remained the same and 16 suffered a reduction in its assessment.

A recent internal donor joint analysis has shown that from 2014 to 2020, while the government expenditure nominally increased there is a consistent under-execution of the budget with the exception of the social sectors.

Source: Donors Group, EU, GoM, PEFA

13.c. Timely and accurate fiscal reporting

Score Type	Value
Draft Score	4.0
Reviewed Score	4.0
Second Draft Score	4.0
Final Score	4.0

Country Notes:

The Inspectorate General of Finance (IGF) is the supervisory body for the internal control system of fiscal transactions. The scope of coverage of internal audit actions exercised by IGF is broad, covering all activities and functions of the Government, regardless of the nature of the responsible entities. The combination of the time spent on audit activities, as well as the focus on systemic areas of risk, plus the government-wide coverage of the IGF with regard to the nature of the audited entities provides an overall high level of supervision. The IGF performs a systematic follow-up to their own audits, and since July 2014 have also performed a systematic follow-up to the recommendations arising from external audits performed by the Administrative Tribunal Court (TA) with a shared system in place. This has allowed the IGF, within the limits of its capacity, to undertake through its financial inspection, internal audits and systematic follow-up to the recommendations included in the Ta's external audits. Annual financial reports are submitted to the TA in a timely manner, but their completeness could be improved with additional information on cash flow reconciliations and stock of collateral. According to PEFA 2020,of the 270 audits planned for 2016, 260 were completed, of which 48 were carried over from the previous period, giving a weighted completion rate of around 94%.

There is a tracking system which details the recommendations made and the degree of compliance. In 2015 a more comprehensive risk matrix was introduced for the selection of sectors and, within these, the entities to audit. However, the continued existence of significant numbers of bank accounts for externally financed projects, which cannot be properly monitored and therefore included in the reconciliation of central government accounts, means that auditing functions still have limitations

Legislative scrutiny of external audit reports ranks low, given the limited institutional rules, despite being able to require further scrutiny if deemed necessary. The TA is required to submit an annual opinion ("parecer") to the Legislature on the year-end financial accounts of the Executive, i.e., the CGE. This opinion contains an analysis, and subsequent issuance of opinion, about the Government's financial activities in the year to which the CGE relate. Audit opinions have been submitted to the Legislature within 6 months of receipt of the CGE by the TA. The accounting improvements and new standards that have been adopted in 2014 and 2015 are close and/or comparable with IPSAS. The accounting standards used in the CGE are consistent with those defined in SISTAFE system regulations and more recently in the Financial Administration Manual of accounting procedures. However, the CGE accounts suffer from the same weakness in presenting budget balances that are not consistent with international practice. In addition, there is no evidence of a systematic procedure for the TA to perform a follow-up on the implementation of its recommendations. Scrutiny of audit reports regarding the annual accounts (CGE) has been completed by the Legislature. However, there are no in-depth public hearings by the Legislature of key audit findings that involve both the TA and the audited entity. The weakness identified by the TA Strategic Plan include a low degree of technological modernization, insufficient expertise including performance auditing.

The fiscal execution reports (REO) are relatively complete and allow for a direct comparison with the budget; in addition, data is presented at commitment, liquidation and payment stages, although only at the aggregate level. The analysis provided of the general budget account constitutes a transparent and consistent consolidated government financial statement with full coverage of revenues and expenditures. It also includes reasonably complete information on financial assets and liabilities, although there are some gaps in particular in relation to contingent liabilities. The REOs are issued 45 days after the end of a quarter, and accounts are consistently submitted for audit within 6 months of the close of the fiscal year.

The Legislative review covers fiscal policies and aggregates for the following year as well as detailed estimates of expenditure and revenue but it does not include analysis of the medium term fiscal framework.

Source: REOs Budget documents

13.d. Clear and balanced assignment of expenditures and revenues to each level of government

Score Type	Value
Draft Score	4.0
Reviewed Score	4.0
Second Draft Score	4.0
Final Score	4.0

Country Notes:

The central Government budget transfers to municipalities render a high level of clarity and transparency. The system consists of the allocation for the Municipal Compensation Fund (FCA – *Fundo de Compensação Autárquica)*, which serves to support the running costs of the municipalities; the Municipal Investment Fund (FIA – *Fundo de Investimento Autárquico*) and allocations under the Strategic Program for Urban Poverty Reduction (PERPU). The allocation of the FCA and FIA is based on transparent criteria (1.5% of tax revenue for the FCA and 0.75% for the FIA) while the allocation to each municipality is based on the population level (75%) and territorial area (25%). The PERPUI fund is divided among 11 urban municipalities, and 55% of the resources are allocated on a fixed basis, with the remainder based on the extent of the urban territory (10%), population (40%), urban poverty (40%) and collection of revenues (10%). The government is advancing on decentralizing its resources in the specific area of extractive industries revenues, where it has allocated that 10% of those revenues would be allocated to the Provinces that are affected by the exploration of such resources.

However, and despite predictable nature of the criteria underlying the calculation of transfers, the notification of transfer values happens after the approval of the Municipal Budget, despite the prior availability of reliable estimates at the time of the adoption of the Executive's Budget Proposal. Thus, the system does not comply with the good practice to provide reliable information on the allocations to be transferred to each municipality before the beginning of the detailed budgeting process by the Municipal Councils.

As for reporting, the financial information for each municipality is consolidated on a quarterly basis, and available 5 months after closure of the financial year. However, not all municipalities comply with the submission deadlines and the quality of reports lacks detailed information on revenue and expenditure by sectoral or functional classification.

Another important point is that Mozambique is implementing a process of decentralization to its Provinces. In accordance with Law 16/2019 of 24 September, the tax transfers to the Provincial Decentralised Government Bodies (OGDPs) are established annually by the Ministry of Economy and Finance and included in the budget law, until a formula for tax transfers to the provinces is established. This formula is being worked on and is one of the pillars for an effective fiscal decentralization framework. The State

Budget 2021 establishes that the OGDPs will receive a share of the total expected tax revenue from the central government to finance operational and investment expenditure. Although the proposal indicates the expected tax revenue for 2021 as well as the total amount to be transferred to the OGDPs, it does not explain how the latter was calculated. It is important to clarify whether the total of transfers to the OGDPs results from some calculation (based on some formula) or whether it is a discretionary allocation by the Ministry of Economy and Finance (MEF).

14. Efficiency of Revenue Mobilization

Criteria Score: 3.75

14.a. Tax policy

Score Type	Value
Draft Score	4.0
Reviewed Score	4.0
Second Draft Score	4.0
Final Score	4.0

Country Notes:

The government has promoted changes in 2022 to the tax structure targeted at estimulating economic activity and investment as well as bringing its tax structure closer to its SADC peers. Preliminary calculations expect that that could generate a net gain in revenue of 1.26pp of GDP on average per year by the end of 2023, although such results are seem by analysts as too optimistic for the short-term.

The GoM has reduced the VAT rate by one percentage point in 2023, to 16% (Law 22/2022); and introduced a new VAT Code that sets a rate of 5% for private education and health services, down from 16%; most VAT exemptions and zero rates have been eliminated, as part of conversations with development partners to compensate the initial loss of revenues from the VAT reduction, however exemptions for essential goods and services and inputs for agriculture and electrification were kept; New text and preliminary instructions for the Customs and Services Tariff approved (Law 17/2022); New ICE Code (Law 19/2022) and Revision of the IRPC Code (Law 20/2022).

Tax Revenue is estimated at 24.6% of GDP in 2023, which has been revised downwards, reflecting on the one hand the positive impact of the introduction of the reform of the tax package and SAP following the approval of the 2023-2025 MTF Scenario and on the other hand the adjustments to the parameters of the tax reform (VAT, ICE, Customs tariff). This compares to 24.2% in 2022 (solely due to 5.8% of GDP in capital gains taxes and start of natural gas operations in the last half of the year).

The largest tax contributors were profit tax on companies, with 11% of GDP and VAT with 6.6% of GDP. Personal income tax contributed with 3.9% of GDP, while trade taxes provided 1.6% of GDP in 2019.

The implementation of the reforms to the legal framework of the main taxes is the result of the commitment that the government made to the people and international partners, to be made after the COVID-19 crisis had passed. The aim was to broaden the tax base by reducing exemptions and zero rates, in order to increase VAT revenues by around 0.5 per cent of GDP as early as 2021, in accordance with Article IV. The World Bank analyzed the legal framework of these main taxes as part of the 2014 Public Expenditure Review. This analysis confirmed that, in general, the design of VAT, IRPC and IRPS is appropriate and consistent with international standards.

Corporate income tax (IRPC) standard rate is 32%. There are however several special regimes and exemptions, notably with transactions involving the gas sector. In addition other special regimes apply, such as: the Tax-free zone operators and enterprises (industrial zones) exemption in the first 10 years, 50% reduction of general tax rate from the 11th to the 15th year, 25% reduction in the remaining years of the project; and the Tax-free zone operators and enterprises (special zones) exemption in the first 5 years, 50% reduction of general tax rate from the 6th to the 10th year, 25% reduction in the remaining years of the project. The Individual income tax (IRPS) varies between 10% and 32%, but only for monthly incomes above 3,500 MZN (aprox. USD 60) leaving the majority of the Mozambicans with low incomes exempt from personal taxes.

The amendment to the IRPC Code consists of reducing the IRPC rate by 22pp to 10% in order to make private investment in the agro-industry, aquaculture and public transport sectors more attractive by 2025. The excise duty levied on foreign entities that provide services to domestic agricultural companies has been reduced from 20 per cent to 10 per cent and the 20 per cent withholding tax on interest from external financing of agricultural projects has been eliminated. This reform is expected to reduce IRPC revenues by around 68.7 million meticais, which corresponds to around 0.01% of GDP in the short term.

The revision of the text and preliminary instructions of the Customs Tariff (Law 17/2022): aims to adjust it to the Harmonized System (HS) 2022 and incorporate customs duties on goods and services that are no longer exempt from VAT with the new VAT (Law 22/2022) and as a result, customs duty revenue is expected to increase by 23.1 million meticais /year.

The composition of revenues is based on income tax (corporate and individual), surpassing taxes on goods and services.

The 2019 and 2020 budget highlights a number of administration efficiency gains including measures to intensify VAT inspections of invoicing, customs audits and controls on evasion of excises on tobacco and beverages (sealing), as well as on imported goods, although no tax policy measures have been identified.

In terms of potential areas to improving the tax system, a VAT reform was planned for 2021, which is already underway, and the WB is providing the technical expertise, the expansion of digitization of tax collection (through e-tributação, although the Tax Authority is having serious difficulties collecting revenue because the system has problems, which is also constraining revenue collection) and greater more enforcement on avoid tax evasion on goods and services such as the one done on tobacco and beverages in previous years.

Illicit financial flows (IFFs) through tax evasion and avoidance exacerbates fiscal deficits. Reports have shown that oil and gas multinationals avoid up to USD2 billion in taxes in Mozambique through tax treaties with letterbox companies located in tax haven financial centres. Over-invoicing of imports and under-invoicing of exports, including, low weight high value precious and semi-precious stones, such as gold, and rubies, drive IFFs in the form of tax evasion and tax avoidance. Smuggling of goods and trafficking in minerals, wildlife, drugs, people, etc. across Mozambique's porous borders are other sources of IFFs which deprives the country of tax revenue and fights against domestic revenue mobilization efforts of the country. Huge informal sector in Mozambique also drives IFFs and limits potential revenue as most of the businesses have not been registered. Mozambique has not yet developed and implemented a beneficial ownership register and hence issues of transparency, accountability and integrity are key issues to be considered by the authorities if leakages through shell companies is to be addressed.

In terms of economic sectors, some experts pointed out that there is room for increases in terms of collection on land use taxes, although it could lead to social unrest as land use is very sensitive in the country.

Source: WB, GoM, Donor Group, IMF Article IV

14.b. Tax administration

Score Type	Value
Draft Score	3.5
Reviewed Score	3.5
Second Draft Score	3.5
Final Score	3.5

Country Notes:

Revenue collection has progressed well during the last years, but recent analysis point to problems of efficiency in the tax collection process and to the continuing challenges presented by the administration in managing revenues. The tax system is still complex to administer and comply with. It is marked by numerous tax incentives and overall low contribution from the mega-project sectors. The Tax Authority (AT) is pursuing to enlarge the tax base to cover the large informal sector. In the future, revising the overly generous system of fiscal incentives as well as rationalizing customs taxes, would improve the economic and technical efficiency of tax administration.

The *Autoridade Tributaria* (AT) has registered a total of 3.2 million taxpayers, including individuals and companies. However, of these only a small part are considered "active" contributors, given the low income of most population. There is a single tax payer identity number (NUIT). The NUIT is used for the submission of tax declarations, the payment of taxes, and the reporting of the start and termination of economic activities, opening of subsidiaries and any change of information on companies and individuals, among other things.

The system is now being gradually replaced by a more modern and safer system based on the ETPM platform, within the scope of the e-Tax project (e-Tributação).

The AT is committed to bring tax collection closer to the taxpayer, through the expansion of tax collection offices, which currently total 101 units, including four Large Taxpayers' Units – UGC, and the creation of Taxpayer Customer Service Counters (BAC - Balcões de Atendimento ao Contribuinte), of which currently 11 are fully operational (one in each province of the country). Taxpayer assistance is also provided through AT's representation in 17 "One-Stop Shops" created by the Ministry of Industry and Commerce throughout the country.)

Mozambique's goal is to achieve full implementation of e-tributação by the end of 2023. Currently operational in all tax offices across the country, e-tributação has already facilitated the collection of 45% of total tax receipts by December 2022. The system seamlessly integrates with e-SISTAFE, Mozambique's financial management information system, streamlining the classification process and expediting resource transfers to the CUT (treasury single account). Additionally, it maintains interfaces with seven commercial banks. To complete the implementation by the end of 2023, the final steps involve refining various transversal modules, such as fiscal execution, bankruptcies, installment payments, risk assessments, audits, claims and recourse, refunds and compensations, litigation, and tax audits, ensuring comprehensive functionality.

The GoM is also actively working on strengthening tax collection efforts, which involve reforms to the VAT system and improvements in tax administration capacity. Certain VAT exemptions and domestic zero-ratings are phasing out while expanding the VAT base. Additionally, measures are in place to modernize tax administration, such as:

1. Enhancing connections and compatibility with other public registries to enhance revenue collection.

2. Updating and cleaning the taxpayer registry, eliminating duplicate entries.

3. Introducing an integrated electronic tax filing system (e-tributação) for collecting receipts from key taxes, including VAT and income taxes.

Furthermore, the authorities are committed to adopting international best practices in determining the tax base for the mining industry.

The General Register of Tax Offences - REGIT Regime Geral das Infracções Tributárias clearly establishes the rules and the AT management response applicable in cases of noncompliance with tax obligations. It includes a system of penalties for cases of non-compliance with tax obligations, detailing the penalties and fines applicable in all cases of non-compliance (both in terms of values and the total maximum ceilings on fines).

Despite the clarity of the legal regulations, evidence presented in a recent Tax Administration Diagnostic Assessment Tool – TADAT, the assessment points to the limited effectiveness of existing sanctions. Thus some doubts remain over their effectiveness in creating incentives for greater compliance.

The still limited institutional capacity of the AT to intervene in identified tax arrears is illustrated by shortcomings in the design of audit plans. The total value of tax payments in arrears is significant, comprising around 3% of the State revenue collected (excluding capital gains tax). As a consequence, the debt collection ratio is below 60% and the total amount of tax arrears in excess of 2 % of total annual collections. The A) is also undergoing a modernization initiative to enhance tax compliance and collection. This reform includes gathering and verifying third-party data. The AT's internal restructuring proposal, which integrates a risk management committee, is set for Council of Ministers approval by end-July 2023. The committee focuses on strengthening compliance, designing tax procedures for various value chains, with an emphasis on mining and gas taxation. They've already started using a risk assessment matrix for audits on extractive companies.

Despite the strong increase in revenue collections, the tax system is still complex to administer and comply with. It is marked by numerous tax benefits and an overall low contribution from the mega-project sectors. Going forward, the government plans to use a modern e-tax system, improve the taxpayer registry, facilitate tax compliance through electronic tax payment and an improve large taxpayers' unit, and continue to expand the tax base to cover the large informal sector. The revenue management system will be enhanced, in line with a set of agreed performance indicators.

Source: GoM, Article IV, Donor Group, PEFA 2015, WEF, Country Policy and Institutional Assessment

15. Quality of Public Administration

Criteria Score: 2.667

15.a. Policy coordination and responsiveness

Score Type	Value
Draft Score	3.0
Reviewed Score	3.0
Second Draft Score	3.0
Final Score	3.0

Country Notes:

The Prime-Ministers takes the presidency of inter-ministerial council and national development council that together with the Council of Ministers form the institutional coordination framework, for the implementation of the yearly State Budget and Social and Economic Plans (PESOE), an improvement since 2021 when the State Budget and the Social and Economic Plans were presented separately and with substantial inconsistencies. The PESOE provides the policy program for the yearly budget preparation. In 2023, the PESOE has also incorporated forward-looking features, bringing in elements of a 3-year framework for its policies, based on the Government's Medium Term Fiscal Framework. The Five-year Development Plan, PQG, is part of the National Planning System (SNP) which is also composed of the country’s long-term development vision - the 2025 Agenda, and the long-term development strategy (ENDE), from where all sectorial strategies derive. However, inter-sectoral strategy articulation is feeble or even non-existent. However, the Government has shown a lack of responsiveness by failing to acknowledge/explain the major slippages between PQG targets and outcomes.

The PQG 2020-2024, as its predecessor, has a monitoring and evaluation matrix to assist coordinate implementation, track progress and assess implementation. The exercise is led by the Ministry of Economy and Finance. The matrix is to enhance coordination efforts between planning, finance, and execution. However, participation of sectors is limited and often concepts such as outcomes and outputs, program and projects are mixed, which makes it difficult to focus on results..

From 2013 to 2016 government spending has been guided by a 3 year rolling Medium Term Fiscal Framework (CFMP) that informs the design of strategic priorities and potential scenarios, and is expected to evolve for a programmatic budgetary preparation. The main drivers that put pressure on the budget allocation are discussed by the Council of Ministries. The CFMP has resumed its publication (faced an interruption from 2016-2019), since 2020 and has been used more consistenly accross the different government documents, such as the PESOE, and the Medium Term Debt Framework.

Plans are also produced at the provincial and district levels. Districts develop a five-year strategic development plan (Plano Estratégico Distrital de Desenvolvimento – PEDD). This multi-year plan is used to develop an annual operation plan and budget (Plano Económico Social e Orçamento Distrital – PESOD). The plans should have active local participation and be consistent with national planning strategies. District annual operational plans are aggregated into a provincial level plan. These provincial and district plans are then incorporated in the PES. There are still substantial difficulties to articulate policies with the decentralized level, even with the decentralization process being rolled out since 2020.

In August 2012, the Council of Ministers approved the Public Administration Reform and Development Strategy (ERDAP) to cover the period 2011-2025

The reform management design included an Inter-ministerial Commission for the Reform of the Public Sector (CIRESP, a committee of the Council of Ministers) headed by the Prime Minister, and a Secretariat to manage day-to-day administration and coordination (UTRESP). The general public sector reforms are coordinated by CIRESP and its executive organ UTRESP. The Ministry of Economy and Finance and the Ministry of State Administration are the key ministries for the implementation of these reforms.

The government also streams sectorial plans which are aligned to a certain extent to the PQGs.

15.b. Service delivery and operational efficiency

Score Type	Value
Draft Score	2.5
Reviewed Score	2.5
Second Draft Score	2.5
Final Score	2.5

Country Notes:

Mozambique is a unitary state with three levels of territorial governance: (i) central government; (ii) provincial governments; (iii) district governments and municipalities. The legal basis for municipalities was approved in 1997, and is referred to as Pacote Autárquico (Law 2/97). Deconcentrated governance is regulated by Lei dos Órgãos Locais do Estado (LOLE), which was approved in 2003 and establishes the principles, competencies and functions of provinces, districts, administrative posts and localities. Specifically, the LOLE states that the district is the territorial unit for local administration, planning, economic, social, and cultural development. In 2008, a financing reform radically transformed the revenue structure for municipalities, by modernizing it, and providing municipalities with access to potentially large sources of own revenue. In 2019, Mozambique saw its first election of Provincial Governors, which was coupled with the creation of a Secretary of State per Province discretionary appointed by the President. Competencies between Governors and Secretaries of States are marked by a large gray area that has created redundencies, inefficiencies and "no-men zones" in terms of service delivery.

The capacity of the public administration is weak, particularly outside the urban centers. The decentralization of power for provincial and municipal assemblies was approved in 2018. The legislation will deliver independence for all local government bodies, and the governor a of a province will be elected, instead of being appointed by the President of the Republic and Minister of State Administration, respectively. Although the secretary of State will still be appointed by the Central government. The political parties are inspired by a model of municipalities in which the president of a municipality (mayor) has the power to appoint councilors and heads of administrative posts.

According to the Mo Ibrahim IIAG 2020, both Basic Health Services now at 62.2/100 registered a 15.7% increase while and Education at 41.6/100 did not register gains or losses. Nevertheless, and despite the budgetary constraints brought by the current financial and economic crises, the Government has been making an effort to increase the quality of service delivery through expanding service coverage in the country and improving overall quality.

The share of expenditure in priority spending sectors has remained above 60%. There are limited reports of protests regarding Service Delivery.

It has been observed that scores in the PEFA assessment of 2020 are higher where a few agents are responsible for making rules, and lower where multiple agents distributed across government are responsible for implementation. For example, in the PEFA 2015 assessment, the highest score is awarded for evaluating whether cash flows are forecast and monitored, but the lowest score is achieved for transparency and frequency of cash payments.

The reform of the public sector introduced with the Estratégia Global de Reforma do Sector Público (EGRSP) 2011 to 2025 also begins to take shape. The government has developed an e-government strategy that includes an electronic government network, government portal, capacity-building, state financial administration system, Mozambique e-government communication infrastructure project, national system of civil registration, biometric driving license and motor registration systems, biometric ID card and passport, and criminal registration system.

Source: MIF, WEF, National Authorities, PEFA, IIAG.

15.c. Merit and ethics

Score Type	Value
Draft Score	2.5
Reviewed Score	2.5
Second Draft Score	2.5
Final Score	2.5

Country Notes:

In 2022, the government of Mozambique decided to implement the Single Salary Table (TSU), with the aim of rationalizing the wage bill, for more administration efficiency, and reducing wage inequalities between ministries and other state institutions, replacing 103 tables with only 21 different pay scales This restructuring of the wage bill aims to create a positive impact on professional careers, and this incentive will improve staff retention, which in recent years has proved to be a challenge for the state, due to the flight of staff to other institutions, especially to the private sector, motivated by low pay, especially in the agricultural and education sectors.

However, in the first phase, expenditure on the wage bill increased from 8.0% of GDP in 2010 to 15.8% of GDP in 2022, with a forecast reduction to 11.6% of GDP by 2026. The implementation of the TSU increased the minimum wage and salaries of professional technicians by approximately 100 per cent, benefiting around 21,000 civil servants in the country. A large part of the wage bill is made up of non-wage benefits, which account for an average of 6.0% of all expenditure on compensation of employees, which does not contribute to transparency and accountability. At the same time, a large part of the recent increases in the wage bill are due to annual wage adjustments.

The Central Public Ethics Commission (CPEC) received 8 cases through early 2018, of which 3 were presented to the Central Unit for Fight Against Corruption as the law requires. In addition, just 58% of the public servants required to present their income and assets declaration did so in 2015, but increasing numbers were expected as the law is being further improved.

The legislation on public sector employment and remuneration (decree 54/2009), which regulates the process for recruitment, promotion and progression, states that staff hiring is a merit-based, competitive and through a transparent process. However, in practice, nepotism, favor granting and exchange are commonplace practices. This is particularly more prone to disturbances in institutions with pay scales above average for civil servants (e.g. customs, revenue authority). The ruling party - FRELIMO - in power for 48 years, controls the nomination to public administration and state-owned enterprises. A large part of the wage bill is comprised of nonwage benefits, which accounted for an average of 6% of all spending on compensation of employees, which does not assist transparency and accountability. At the same time, a large proportion of the recent registered increases in the wage bill is due to annual salary adjustments. Spending on the wage bill has grown from 8% of GDP in 2010 to 10.5% in 2017. The Public Sector Accountability & Transparency criteria of the 2020 Mo Ibrahim index registered a a negative trend since 2012, 13.0 points deterioration from 2012 to 2021, 33.6/100.The sub-indicator of Mo Ibrahim Index assessing the extent to which bribery is absent from administrative processes, the extent to which the police and military do not use public office for private gain and public sector employees do not engage in bribery, has slightly improved by 2.0 points from 2012 to 2021.

Bribery is still being as common practice on customs processes, municipal and road police actions and inspection services such as for cars licenses. Abuse of power from policing authorities has been strongly felt in more uncommon situations such as exhaustive scanning of cars in random road checks and luggage in airports with civilians reporting the planting of illicit substances for blackmailing, although this has been reduced in the last two years. Non-Mozambicans have also been stop in main cities by authorities and defied with the validity of their legally issued documents to stay in the country, with police threats such as arresting or deportation coupled with subtle solutions linked to provision of monetary resources (extorsion). Locals have also been widely impacted, particularly working-class with random checks of documents, specially on the quasi-public transportation, “chapas”, causing constant delays and costs to the urban class, depending on those to arrive on time at work, run their business or get to school.

The trial of those involved on the hidden-debt scandal was unprecedented in the history of the country and has brought many responsible to jail, however the overall feeling in the society is that many are still not been investigated those were only scaping goats.

A large part of the wage bill is comprised of nonwage benefits, which accounted for an average of 6% of all spending on compensation of employees, which does not assist transparency and accountability. At the same time, a large proportion of the recent registered increases in the wage bill is due to annual salary adjustments. Expenditure on the wage bill increased from 8.0% of GDP in 2010 to 15.1% in 2022. The Central Public Ethics Commission (CPEC) received 8 cases through early 2018, of which 3 were presented to the Central Unit for Fight Against Corruption as the law requires. In addition, just 58% of the public servants required to present their income and assets declaration did so in 2015, but increasing numbers were expected as the law is being further improved. The legislation on public sector employment and remuneration (decree 54/2009), which regulates the process for recruitment, promotion and progression, states that staff hiring is a merit-based, competitive and through a transparent process. However, in practice, nepotism, favor granting and exchange are commonplace practices. This is particularly more prone to disturbances in institutions with pay scales above average for civil servants (e.g. customs, revenue authority). The ruling party - FRELIMO - in power for 48 years, controls the nomination to public administration and state-owned enterprises. A large part of the wage bill is comprised of nonwage benefits, which accounted for an average of 6% of all spending on compensation of employees, which does not assist transparency and accountability. At the same time, a large proportion of the recent registered increases in the wage bill is due to annual salary adjustments. Spending on the wage bill has grown from 8% of GDP in 2010 to 10.5% in 2017. The Public Sector Accountability & Transparency criteria of the 2020 Mo Ibrahim index registered a a negative trend since 2012, 13.0 points deterioration from 2012 to 2021, 33.6/100.The sub-indicator of Mo Ibrahim Index assessing the extent to which bribery is absent from administrative processes, the extent to which the police and military do not use public office for private gain and public sector employees do not engage in bribery, has slightly improved by 2.0 points from 2012 to 2021. Bribery is still being as common practice on customs processes, municipal and road police actions and inspection services such as for cars licenses. This year, abuse of power from policing authorities has been strongly felt in more uncommon situations such as exhaustive scanning of cars in random road checks and luggage in airports with civilians reporting the planting of illicit substances for blackmailing. Non-Mozambicans have also been stop in main cities by authorities and defied with the validity of their legally issued documents to stay in the country, with police threats such as arresting or deportation coupled with subtle solutions linked to provision of monetary resources (extorsion). Locals have also been widely impacted, particularly working-class with random checks of documents. With COVID-19, police forces also arrested locals without a facemask or in the street after the curfew, which has particularly difficult for workers in essential services or those running in town for a medical emergency.

15.d. Pay adequacy and management of the wage bill

No score data available for this subcriteria.

16. Transparency, Accountability, and Corruption in the Public Sector

Criteria Score: 2.167

16.a. Accountability of the executive to oversight institutions

Score Type	Value
Draft Score	2.0
Reviewed Score	2.0
Second Draft Score	2.0
Final Score	2.0

Country Notes:

The authorities have made efforts to increase transparency and strengthen institutions since the uncovering of ‘hidden debts’ in 2016 highlighted Mozambique’s severe financial governance weaknesses. The discovery of the hidden debts in 2016, brought about several significant transformations to Mozambique’s current Public Financial Management (PFM) system. The crisis uncovered several weaknesses and vulnerabilities within the country’s PFM system and undermined its credibility. The reforms were informed by a report, published by the GoM in 2019, on Transparency, Governance, and Corruption, elaborated with the IMF's Legal and Fiscal Affairs Departments' support. These reforms include:

1. Decree No. 26/2021, of 3 May 2021 based on Law No. 14/2020, of 23 December 2020, (SISTAFE Law): Decree No. 26/2021 approved the Regulation of the SISTAFE, aiming to regulate the principles and norms of the system's organization and functioning in accordance with Law No. 14/2020, dated 23 December 2021.

2. Law No. 13/2020, of 23 December 2020, (Asset Recovery Law): Amendments establish a legal framework for asset recovery from illicit activities, including measures to access financial data and create specialized units.

3. Wage Bill reform: As part of the Extended Credit Facility (ECF) Agreement with the International Monetary Fund (IMF) the Government of Mozambique (GoM) agreed to a wage bill reform a aimed to unify salary scales and streamline supplementary pay components to put the wage bill on a stronger footing.

Although these measures are seeing results still maturating, the authorities have made efforts to increase transparency and strengthen institutions, have started yielding results, allowing the country to successfully negotiate with bondholders a restructuring of the commercially traded portion of the hidden debt in 2019. Moreover, since these developments, the IMF has reported to the AfDB that there is substantial developments on the conversations with the government on resuming an IMF programme in Mozambique.

2.

The authorities are implementing their comprehensive action plan to address the gaps identified in the June 2021 report of the Eastern and Southern Africa Anti-Money Laundering Group. In October 2022, Mozambique was identified by the Financial Action Task Force (FATF) as having strategic deficiencies in its AML/CFT system. As a result, the country was subjected to increased monitoring (grey listed) and an Action Plan drawn which the country has committed to address.

The legal and regulatory framework of Mozambique has been recently strengthened to address the gaps identified in the mutual evaluation report and its NRA of 2021. The country amended AML/CFT laws including the definition of beneficial ownership consistent with the FATF standards. Other legal instruments strengthened include Law 13/2022- Preventing, Suppressing, and Combating Terrorism and the Proliferation of Weapons of Mass Destruction (targeted financial sanctions for terrorism and proliferation financing). Law 11/2022, of July 7, increased the scope of predicate offences and thus the country criminalized migrant smuggling, illicit trafficking in stolen and other goods, insider trading, and market manipulation among others. The law 11/2022 also requires supervisors to apply risk-based supervision. While the amendments of the laws is a welcome development in Mozambique, more legal reforms are still needed in the areas of beneficial ownership, regulation of designated non-financial businesses and professions, bulky cash movement and the sanctioning regime. The country still needs to demonstrate effectiveness of the amended laws in fighting money laundering/terror financing and illicit financial flows.

The World Bank’s 2022 World Governance Indicators (WGI) shows a slight increase in 2 put of the 6 indicators. Political Stability and Absence of Violence/Terrorism, and Rule of Law increased from -1.3 in 2020 to -1.2 in 2021 and from -1.1 to -1.0, respectively. Voice and Accountability is the worse ranked category standing at -0.6 and has been decreasing in the past 10 years. Transparency International’s Corruption Perceptions Index score has remained at 26/100 in 2022, albeit portraying improvements following continued declines since 2015. The Mo Ibrahim Index of African Governance (IIAG) ranks Mozambique 26th out of 54 countries. It showed a negative trend between 2012 and 2021, driven by a fall on Security & Rule of Law (-5.6) and Participation and Human Rights (-3.9.

Mozambique revised its anti-money laundering and countering funding of terrorism (AML/CFT) law in 2022, enacting legal amendments intended to combat corruption (11/2022). The Penal Code (24/2019), Criminal Procedure Code (25/2019), Asset Recovery Law (13/2020), and the creation of provincial agencies to fight corruption in 2015 are among other recent anti-corruption measures. However, due to a weak AML/CFT framework, Mozambique was placed on the Financial Action Task Force's "grey list" in 2022.

Additionally, Mozambique is making strides towards introducing a new civil confiscation law that would facilitate the forfeiture of proceeds from criminal activities without the need for criminal proceedings. The proposed civil confiscation law aims to enable the seizure of criminal proceeds through a civil process, offering a solution to the challenges associated with establishing a clear link between assets and specific offenses under the traditional criminal standard of proof. By shifting to a civil standard, typically based on the balance of probabilities, Mozambique's authorities would be better equipped to target the substantial profits of criminal networks. The draft of the civil confiscation law is modeled, in part, on the UN Office on Drugs and Crime's Model Law on Extinción de Dominio and is inspired by the laws of Latin American states, particularly Peru's Extinción de Dominio law. It is expected that the proposal for the civil confiscation law will soon be presented to Parliament, marking an important milestone in Mozambique's efforts to enhance its legal framework for the recovery of assets linked to corruption and serious crimes.

The authorities have made efforts to increase transparency and strengthen institutions since the uncovering of ‘hidden debts’ in 2016 highlighted Mozambique’s severe financial governance weaknesses. The World Bank’s 2022 World Governance Indicators (WGI) shows a slight increase in 2 put of the 6 indicators. Political Stability and Absence of Violence/Terrorism, and Rule of Law increased from -1.3 in 2020 to -1.2 in 2021 and from -1.1 to -1.0, respectively. Voice and Accountability is the worse ranked category standing at -0.6 and has been decreasing in the past 10 years. Transparency International’s Corruption Perceptions Index score has remained at 26/100 in 2022, albeit portraying improvements following continued declines since 2015. The Mo Ibrahim Index of African Governance (IIAG) ranks Mozambique 26th out of 54 countries. It showed a negative trend between 2012 and 2021, driven by a fall on Security & Rule of Law (-5.6) and Participation and Human Rights (-3.9.The discovery of the hidden debts in 2016, brought about several significant transformations to Mozambique’s current Public Financial Management (PFM) system. The crisis uncovered several weaknesses and vulnerabilities within the country’s PFM system and undermined its credibility. In response to the crisis, the GoM focused on reforms towards improving fiscal transparency and accountability, debt management and control, budget planning and execution, internal controls and governance, capacity building and institutional strengthening, and international engagement and donor coordination. The reforms were informed by a report, published by the GoM in 2019, on Transparency, Governance, and Corruption, elaborated with the IMF’s Legal and Fiscal Affairs Departments' support. These reforms include: 1. Decree No. 77/2017, of 28 December 2017 (Public Debt Management Law): Amendments clarify public debt rules, delegate powers to the Finance Minister, and set debt limits for State-Owned Enterprises (SOEs).2. Decree No.10/2019 based on SOE Law No. 3/2018: Amendments improve SOE management, specify public debt approval processes, and enhance board member requirements.3. Law No. 13/2020, of 23 December

2020, (Asset Recovery Law): Amendments establish a legal framework for asset recovery from illicit activities, including measures to access financial data and create specialized units. 4. Decree No. 26/2021, of 3 May 2021 based on Law No. 14/2020, of 23 December 2020, (SISTAFE Law): Decree No. 26/2021 approved the Regulation of the SISTAFE, aiming to regulate the principles and norms of the system's organization and functioning in accordance with Law No. 14/2020, dated 23 December 2021. 5. Law No. 24/2019, of 24 December, (revision of the Penal Code for corruption cases) (BR, 2019) Although these measures are seeing results still maturating, the authorities have made efforts to increase transparency and strengthen institutions, have started yielding results, allowing the country to successfully negotiate with bondholders a restructuring of the commercially traded portion of the hidden debt in 2019. Moreover, since these developments, the IMF has reported to the AfDB that there is substantial developments on the conversations with the government on resuming an IMF programme in Mozambique. The authorities are implementing their comprehensive action plan to address the gaps identified in the June 2021 report of the Eastern and Southern Africa Anti-Money Laundering Group. In October 2022, Mozambique was identified by the Financial Action Task Force (FATF) as having strategic deficiencies in its AML/CFT system. As a result, the country was subjected to increased monitoring (grey listed) and an Action Plan drawn which the country has committed to address. The legal and **regulatory framework** of Mozambique has been recently strengthened to address the gaps identified in the mutual evaluation report and its NRA of 2021. The country amended AML/CFT laws including the definition of beneficial ownership consistent with the FATF standards. Other legal instruments strengthened include Law 13/2022- Preventing, Suppressing, and Combating Terrorism and the Proliferation of Weapons of Mass Destruction (targeted financial sanctions for terrorism and proliferation financing). Law 11/2022, of July 7, increased the scope of predicate offences and thus the country criminalized migrant smuggling, illicit trafficking in stolen and other goods, insider trading, and market manipulation among others. The law 11/2022 also requires supervisors to apply risk-based supervision. While the amendments of the laws is a welcome development in Mozambique, more legal reforms are still needed in the areas of beneficial ownership, regulation of designated non-financial businesses and professions, bulky cash movement and the sanctioning regime. The country still needs to demonstrate effectiveness of the amended laws in fighting money laundering/terror financing and illicit financial flows.

16.b. Access of civil society to information on public affairs

Score Type	Value
Draft Score	2.5
Reviewed Score	2.5
Second Draft Score	2.5
Final Score	2.5

Country Notes:

According to UNHCR’s Annual Results Report (2022) Mozambique ranks 185 out of 191 countries on the 2022 Human Development Index. It faces largescale internal displacement caused by armed conflict in the north, hosts a protracted refugee population, is severely affected by climate change, and, as a result, is regularly exposed to extreme weather events such as cyclones and floods. The impact of COVID-19, disease outbreaks such as cholera, and the conflict in the north, further compound the vulnerabilities of the population to economic shocks, fragility, and poverty,

The country avails its main policy and governing documents available on the internet. It also prepares a "Citizen Budget" publicly together with budget law documents and quarterly budget execution reports. According to the Open Budget Survey 2021, public participation slightly improved from 11/100 in 2019 to 18/100. This is still grossly insufficient. To improve on this, the report proposes that; Government should pilot mechanisms to monitor budget implementation; Expand mechanisms during budget formulation to engage any civil society organization or member of the public who wishes to participate and actively engage with vulnerable and underrepresented communities, directly or through civil society organizations representing them.

The criteria for Access to Information of the Mo Ibrahim 2022 IIGA keeps its low rating of 25/100. The WEF GCI 2019 ranks Mozambique as 132/190 in its incidence of corruption index. Mozambique is EITI compliant since 2013, and is now preparing its adherence to the Process. Overall Governance shows a slowing deterioration over the past 10 years, including citizen participation, rights and inclusion at 8/100. However, it shows increasing decline in Security and Rule of the Law

In the CSO space, several organizations are organizations are publishing relevant material in terms of budget analysis, natural resources management and following up with the “hidden debts” developments, receiving funding from bilateral donors the most. They have access to the press and are able to position their advocacy there. They algo engage with the GoM presenting their concerns but there is no formal consultation process rather than isolated events. However, the number of civil society organ play an active monitoring or watchdog role remains limited, with most groups focused on the capital.

However, a new NGO on Anti-Money Laundering and Terrorist Financing Act, which overregulates CSOs, is seen as the death knell for the civic movement in the country. The Act was approved in October 2022 with the aim of fighting terrorism. Most CSOs, human rights and development actors have expressed their concerns that the Law would further curtail freedoms of expression, information, press, assembly and public participation.

Additionally, several cases of press intimidation have happen, with some journalists being tortured and intimidate. Ibrahim IIAG 2020 criteria for Freedom of Expression lost 7.6 points to score 53.5/100 in a continuous downward trend. During 2019 and 2020 both a journalist and CSO leader have been harassed and became victims of anonymous threats, armed violence and in one case a kidnap.

According to the Human Rights Watch World Report 2023, Press freedom in Mozambique was under pressure as new laws limiting the work of journalists and freedom of expression were debated or passed in the national parliament. Lawmakers continued to hold public hearings on the proposed drafts of a new media law and a new broadcasting law that were introduced in 2021, which local and international groups said would “criminalize the work of journalists.”

The report emphasizes that the draft law bans rebroadcasting of foreign political shows, and limits the number of correspondents from international broadcasters and other foreign media to two per outlet. The media rights group MISA-Mozambique urged parliament to amend the law, saying that “criminalizing the publication of classified information punished journalists and ordinary citizens, rather than the officials who failed in their duty to safeguard state secrets.” Despite growing opposition from local and international media rights groups, the law was published in the government gazette in July.

The BTI Report for Mozambique (2022) states that the country revised 2004 constitution guarantees freedom of the press. The Supreme Mass Media Council is tasked with guaranteeing this freedom and the public’s right to information. The constitution explicitly protects journalists and grants them the right not to reveal their sources. In December 2014, parliament finally passed the long-awaited Access to Information bill (ATI) that obliges public and private bodies invested with public powers to release information on request. As two studies in 2020 reported, information is often not provided without asking for a purpose; requests get lost within the bureaucracy

Amidst a growing climate of threats and attacks against journalists and critical voices, it is feared that a new amendment to the Mozambican Penal Code – introduced by parliament in July 2019 in order to protect privacy – could 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.

Many organizations organize around platforms that aim to hold the government to account, to participate in official dialogue spaces and advance the respect for human rights. CSos participate from loval to national levels through government structures eg. Open and Inclusive Presidency (PAI), which was a presidential initiative of Guebuza promoting the evaluation and consultation on the performance of district governmental institutions; 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 Civil society participation

However, as is the current trend across the continent, the space for civic engagement and participation is shrinking and this has created concern over the safety of CSO activists in the country.

Source: IIAG, Open Budget, WEF CGI, UNHCR, BTI, HRW

According to UNHCR’s Annual Results Report (2022) Mozambique ranks 185 out of 191 countries on the 2022 Human Development Index. It faces largescale internal displacement caused by armed conflict in the north, hosts a protracted refugee population, is severely affected by climate change, and, as a result, is regularly exposed to extreme weather events such as cyclones and floods. The impact of COVID-19, disease outbreaks such as cholera, and the conflict in the north, further compound the vulnerabilities of the population to economic shocks, fragility, and poverty. The country avails its main policy and governing documents available on the internet. It also prepares a "Citizen Budget" publicly together with budget law documents and quarterly budget execution reports. According to the Open Budget Survey 2021, public participation slightly improved from 11/100 in 2019 to 18/100. This is still grossly insufficient. 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However, it shows increasing decline in Security and Rule of the Law In the CSO space, several organizations are organizations are publishing relevant material in terms of budget analysis, natural resources management and following up with the “hidden debts” developments, receiving funding from bilateral donors the most. They have access to the press and are able to position their advocacy there. They algo engage with the GoM presenting their concerns but there is no formal consultation process rather than isolated events. However, the number of civil society organ play an active monitoring or watchdog role remains limited, with most groups focused on the capital. However, a new NGO on Anti-Money Laundering and Terrorist Financing Act, which overregulates CSOs, is seen as the death knell for the civic movement in the country. The Act was approved in October 2022 with the aim of fighting terrorism. 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Lawmakers continued to hold public hearings on the proposed drafts of a new media law and a new broadcasting law that were introduced in 2021, which local and international groups said would “criminalize the work of journalists.” The report emphasizes that the draft law bans rebroadcasting of foreign political shows, and limits the number of correspondents from international broadcasters and other foreign media to two per outlet. The media rights group MISA-Mozambique urged parliament to amend the law, saying that “criminalizing the publication of classified information punished journalists and ordinary citizens, rather than the officials who failed in their duty to safeguard state secrets.” Despite growing opposition from local and international media rights groups, the law was published in the government gazette in July.The BTI Report for Mozambique (2022) states that the country revised 2004 constitution guarantees freedom of the press. The Supreme Mass Media Council is tasked with guaranteeing this freedom and the public’s right to information. The constitution explicitly protects journalists and grants them the right not to reveal their sources. In December 2014, parliament finally passed the long-awaited Access to Information bill (ATI) that obliges public and private bodies invested with public powers to release information on request. As two studies in 2020 reported, information is often not provided without asking for a purpose; requests get lost within the bureaucracyAmidst a growing climate of threats and attacks against journalists and critical voices, it is feared that a new amendment to the Mozambican Penal Code – introduced by parliament in July 2019 in order to protect privacy – could 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. Many organizations organize around platforms that aim to hold the government to account, to participate in official dialogue spaces and advance the respect for human rights. CSos participate from loval to national levels through government structures eg. Open and Inclusive Presidency (PAI), which was a presidential initiative of Guebuza promoting the evaluation and consultation on the performance of district governmental institutions; 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 Civil society participationHowever, as is the current trend across the continent, the space for civic engagement and participation is shrinking and this has created concern over the safety of CSO activists in the country.Source: IIAG, Open Budget, WEF CGI, UNHCR, BTI, HRWThe country has all its main policy and governing documents available on the internet. It also prepares a "Citizen Budget" publicly together with budget law documents and quarterly budget execution reports. The Open Budget Survey 2019 prov points out of that budget public participation is still insufficient in Mozambique but increased from 7/100 to 11/100 from 2018 to 2019. The report points our that there are few opportunities for society to engage on the public process during the formulation and the audit (Supreme audit institution) process, while more opportunities are available during the approval of the legislature and implementation, but still few. The criteria for Access to Information of the Mo Ibrahim 2020 IIGA keeps its low rating of 25/100. The WEF GCI 2019 ranks Mozambique as 132/190 in its incidence of corruption index. Mozambique is EITI compliant since 2013, and is now preparing its adherence to the Process. In the CSO space, several organizations are organizations are publishing relevant material in terms of budget analysis, natural resources management and following up with the "hidden debts" developments, receiving funding from bilateral donors the most. They have access to the press and are able to position their advocacy there. 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16.c. State captured by narrow vested interests

Score Type	Value
Draft Score	2.0
Reviewed Score	2.0
Second Draft Score	2.0
Final Score	2.0

Country Notes:

The FRELIMO party has been governing the country since its independence in 1975, and since the first presidential and elections of 1994 were won by FRELIMO. First provincial elections done in the country in 2019 also saw the parting winning all the provinces, including those where opposition was perceived as stronger. Mozambique gets 50.2/100 points in the Mo Ibrahim IIAG 2020 Political Pluralism and 27.1/100 on Democratic Elections. Therefore, given the party's dominance of society and the state administration, including the justice sector, the separation of powers faces limitations in Mozambique. The state capture can be illustrated by the ineptitude of the Attorney General and Parliamentary commissions slow action with respect to the hidden debts scandal, where just after 5 years of the episode, public officials are starting to be sentenced.

In the WEF Global Competitiveness Index 2019 the country lost points in the checks and balances category (38.5/100), falling at Judicial Independence from 2.9 to 2.3/7, and Efficiency of legal framework in challenging regulations (2.5/7). In the overall Institutions Pillar of the GCI, the country ranks 133/141 countries. The Mo Ibrahim 2020 IIAG index for Rule of Law indicator remained constant at 40.2/100 with losses on Law Enforcement, Executive Compliance with the Rule of Law and Judicial Process, and gains over impartiality of the Judicial System, Equality before the Law and Property Rights.

Corruption is the major IFFs generator. Corruption poses the highest risk as it affects all sectors and is the most reported offence generating illicit proceeds. Drug trafficking was also identified as another major illicit proceeds generating crime in the country. The country is mainly used as a transit route for drugs destined for neighbouring countries such as South Africa. This is authenticated by research done by Enact Africa, which shows that Mozambique is used as an integral part of a major heroin transit route through its northern province which is a major landing point for Afghan heroin and methamphetamine before it goes to other parts of Africa, as well as to Europe. There is a growing domestic market for heroin in the coastal Indian Ocean states. Other illicit drugs that are trafficked include cocaine, cannabis and synthetic drugs. It is understood that small shipments arrive by air and overland routes, while larger shipments arrive by sea. Proceeds of drugs are often laundered through the real estate sector.

(E) Infrastructure and Regional Integration

Cluster Score: 3.667

17. Infrastructure Development

Criteria Score: 3.833

17.a. Sector strategy/policy

Score Type	Value
Draft Score	4.0
Reviewed Score	4.0
Second Draft Score	4.0
Final Score	4.0

Country Notes:

The new 5 year government program PQG 2020-2024 has “Development of economic and social infrastructure” as one of its 6 strategic options and goes in line with the 20 year National Development Strategy (ENDE) 2023-2042, which also has infrastructure development as one of its pillars.

There are sector specific infrastructure master plans (e.g. roads, cabotage, railroad). The water and sanitation sector (WSS) is anchored in environment and circular economy in addition to the infrastructure pillar. The sector is guided by the water sector policy and water resources management strategy, and national urban water and sanitation strategy (2011-2025). The Integrated Electricity InfrastructureThe Integrated Electricity Infrastructure Master Plan 2018 - 2042 and the National Electrification Strategy 2018-2030 were approved by the Council of Ministers in October 2018. (Road, Health, Education, and WSS). The Government also has a Gas Master Plan, a Transport Strategic Plan. Such plans incorporate integration to SADC and SAPP as part of their actions. The National Strategy for Broadband from 2017 and the updated Information Society Policy from 2018 places ICT as a platform for broader socio-economic benefits.

On the energy side, the government is advancing with an ongoing procurement for consulting services to review the **Integrated Electricity Infrastructure Master Plan,** with publication of the update plan in Q4 2024, **With a successful competitive procurement process for large PPPs, in which the** Hydro Power Plant Mphanda Nkuwa (1500MW) is expected to be framed, with **An Inter- Ministerial Energy Transition Task Force** with support from the DPs that will launch Energy Transition Strategy at **COP28 and the** Ongoing development of the **Energy Efficiency Strategy** expected to be approved by Q4 2023.

17.b. Legal and regulatory frameworks for infrastructure

Score Type	Value
Draft Score	4.0
Reviewed Score	4.0
Second Draft Score	4.0
Final Score	4.0

Country Notes:

Mozambique has in place regulatory frameworks governing public-private partnerships, concessions and megaprojects (created with the support of DFID and WB). AfDB has supported, through budget support operations, some elements of developing the PPP enabling environment. This framework is specifically designed to close the country’s infrastructure gap, by promoting the development of large infrastructure projects and the programmed development corridor.

The legal and regulatory frameworks allow for the participation of the private sector in the financing and managing infrastructures. For instance, in the water sector small private sector operators exist. There are certain legislation gaps and bureaucratic hurdles that may affect the ability of companies and investors to effectively develop such tasks. The Government seems to be aware of such deficiencies and envisages to take action in order to adjust the framework and its institutions to reduce or even eliminate such obstacles.

The water and sanitation sector has well articulated legal and regulatory framework. While the water resources regulated by the Ministry of Public Works, Housing and Water Resources (MOPHRH), water regulatory authority (AURA) regulates and supervises provision of water and sanitation services, including the small private sector service providers. it controls approves tariff and control quality of service. The Composite Africa Infrastructure Development Index 2020–2022 the Water Supply and Sanitation Index 2020–2022 for Mozambique has shown improvements by 5.3% points but the country still ranks as one of the lowest performers.

In the energy sector, a range of legislation was recently approved including the (i) New Electricity Law (Law 12/2022, of July 11), establishing an umbrella regulatory framework that favors renewable sources and private sector participation, (ii) off-grid regulations (Decree 93/21 of 10 December), establishing an umbrella regulatory framework for the off-grid and private sector participation, (iii) New Investment Law (Law no. 08/2023, of June 9), establishing regime applicable to private investments that can benefit from certain tax and non-fiscal guarantees and incentives, (iv) Regulation on the Tariff System for the Supply of Power through the National Electricity Grid (Decree No. 80/2022 of December 30) providing the framework for sustainability of investments in the expansion of electrical power supply infrastructure through the National Electricity Grid, (v) ongoing development of Regulatory framework for credit carbon markets that will be published in the first semester of 2024, (vi) ongoing processing of the Grid Code for renewable energy sources.

In Mozambique, the National Roads Administration (ANE) is a public institute with general powers of road authority throughout the country, endowed with legal personality and administrative autonomy. / Decree No. 65/2019 of 30 July.

17.c. Public resource management and accountability in the infrastructure sector

Score Type	Value
Draft Score	3.5
Reviewed Score	3.5
Second Draft Score	3.5
Final Score	3.5

Country Notes:

The Bank's Country Fiduciary Risk Assessment (CFRA) concluded that the overall risk level of PFM is substantial, due primarily to less than optimal controls on contingent liabilities, inadequate monitoring and poor control over costs of the larger capital projects, and the absence of a monitoring system for expenditure arrears. Effectiveness of external oversight in the form of audits by the Tribunal Administrativo (TA) is limited by the TA's lack of budgetary independence. This weakness is compounded by a lack of formalized follow up on the implementation of audit recommendations. Internal audit by the Inspector General of Finance (IGF) is more effective, despite the focus on transactions versus systems, but implementation of recommendations is likewise not always carried out. Cash Management and the system-based e-SISTAFE controls are effective, as the vast majority of payments, other than for projects, go through the Treasury Single Account (CUT). Consistent improvement of various areas of the Public Financial Management systems is noted, however the continued weaknesses, exacerbated by the institutional and human resource constraints faced by Mozambique, affect areas which are essential to the effective performance of the Mozambican public sector.

Mozambique has achieved significant advances in the modernization of its legal Public Procurement framework by adopting a UNCITRAL based Public Procurement Regulation which is generally aligned to international practice. In the integrity arena, there is a comprehensive legal and institutional framework (i.e. Attorney General Office, Central Anti-corruption Agency, Tribunal Administrativo, Central Public Ethics Commission) that support the anti-corruption agenda; and, a debarment mechanism was set in place to sanction bidders including for corrupt practices, however there's no independent body/pane for review of procurement complaints. Publication of contract awards is quite effective, and media and citizens have started to monitor procurement decisions. The recently approved procurement decree (decree 79/22—December, 30) introduced provisions for electronic public procurement systems (E-Procurement) and mandatory beneficial ownership disclosure provision for contracts estimated above USD 1,00 million.

The national procurement/public contract systems and procedures is mostly conformed to international standards of procurement/public contracts. It is transparent and stable.Quality control/inspection to verify the conformity of the infrastructure constructed/rehabilitated is often ensured during or after works however not systematically . External/independent audits to assess the selection process of contractors are undertaken when necessary but no further action is taken. Economic analysis/cost opportunity analysis is always undertaken. Populations/beneficiaries/civil society/private sector are regularly consulted in designing, implementing and evaluating infrastructures projects/programs. Security and environmental safeguards are partially addressed. Clear compensation mechanisms in case of expropriation or damage/injury exist, but remain partially discriminatory and hardly enforced.

18. Regional Integration

Criteria Score: 3.5

18.a. Movement of persons and labor and right of establishment

Score Type	Value
Draft Score	4.0
Reviewed Score	4.0
Second Draft Score	4.0

Final Score	4.0

Country Notes:

Mozambique’s highest score in the Africa Regional Integration Index is on the Free Movement of People Criteria with 0.944/1, ranking 5th in the continent. It ratified all the SADC agreements, including the free trade area. The Country has specifically ratified the protocols on the Free movement persons; the Right of establishment; and the Free movement of workers. Citizens from SADC are not required a visa to enter Mozambique, and there is a legal framework reflected in the national law to provide resident permits, and it has also implemented Univisa system. Mozambique has also ratified the relevant SADC instruments concerning free movement of persons, rights of establishment and free movement of workers. More than 53% of other SADC member states may enter Mozambique visa-free may enter with a visa on arrival, while countries whose nationals require a visa are only 7% among SADC countries. In the transport sector, Mozambique proceeded with the implementation of the SADC driving license, harmonization of vehicle weights and dim as well as, harmonization of driving signals. Implementation of the Protocol on Transport, Communications and Meteorology, s the creation of the Maputo Development Corridor, Limpopo, Beira, Nacala and Mtwara.

Mozambique is a member of the SADC and has signed and ratified its protocols on free movement of people. Mozambique scored 0.804, ranking 13th on the 2022 Visa Openness Index, thus placing Mozambique amongst the top performer in Africa when it comes to free movement of people. Mozambique scored 0.42 on the 2023 Africa Regional Integration Index, ranking second in SADC, after South Africa. These impressive scores on key regional integration indexes show that Mozambique is making efforts to integrate well with other regions and countries in Africa. FDI flow to Mozambique is also on the rise. FDI flow increased from USD 194 million in 2021 to USD 564 million in 2022 according to the UNCTAD FDI Report 2023. This shows that movement of labour and establishing in Mozambique is getting easier with the country making rapid improvement in its business environment.

18.b. Regional financial integration

Score Type	Value
Draft Score	3.0
Reviewed Score	3.0
Second Draft Score	3.0
Final Score	3.0

Country Notes:

Mozambique adopted SADC’s 2020-2030 Regional Indicative Strategic Development Plan (RISDP). The RISDP is supporting countries under the customs union to promote monetary cooperation and trade cooperation. Consistent with the objectives of major targets of the RISDP were the attainment of the SADC Free Trade Area by 2008, SADC Customs Union by 2010, SADC Market by 2015, and SADC

Monetary Union by 2016. The 2014 review of the RISDP noted that there was moderate progress enhancing SADC intra-regional trade and economic diversification and pointed to an urgent need to frontload industrialization about socio-economic transformation in member States. The revised RISDP 2020-2030, emphasizes industrialization to deepening and acceleration of market integration.

The latest assessment from 2020 of the Africa Integration Index in the area of financial integration and macroeconomic shows Mozambique is a high performer within SADC, but a low performer in the continent with a score of 0.32. Mozambique has adhered to SADC's Protocol on Finance and Investment (FIP), which sets out policies for financial development region., and shows very good results in harmonizing Investment Co Macroeconomic Convergence (except for fiscal deficit), and Fiscal cooperation. Positive progress was positively registered in the Banking supervision and regulation, Cooperation with regional DFIs, and Stock Exchange cooperation. The worst dimensions are Cooperation regarding Non-banking and financial services institutions, Information Cooperation and T (ICT) links between central banks, cooperation between payments systems. All together 65% of all actions of harmonization protocol have been implemented, while just 7.6% were not, while the remaining were partially implemented.

Mozambique is a member of the Southern African Development Community (SADC) Integrated Regional Electronic Settlement System (SIRESS), a real-time gross settlement (RTGS) system that facilitates the settlement of cross-border transactions in the SADC region. Currently, Mozambique is negotiating its membership to the African Insurance Agency (ATIA), a multilateral financial institution that has been working since 2001 to facilitate exports and for investment by providing export credit insurance, political risk insurance, investment insurance, and other financial products reduce the risks and costs of doing business in Africa.

The financial sector in Mozambique is dominated by a few large, foreign banks, which make up 90% of the sector's total assets. Almost all major banks are majority-foreign owned, either by Portuguese or other African banks, although the government maintains participations in some. The Financial Inclusion Index calculated by the Bank of Mozambique fell by 1.2 points in 2021, due to a fall in the number of places where financial services can be accessed and the retraction caused by Covid-19, according to the report consulted by Lusa today. According to the Bank of Mozambique, the global Financial Inclusion Index (IIF) calculated by the central bank stood at 12.76 points in 2021, against the 13.93 points recorded in 2020. The Government of Mozambique has a Financial Inclusion Strategy and efforts are being made to improve financial inclusion.

Microfinance institutions (MFIs) and micro-banks are small and not systemically important, although they have expanded rapidly in recent years. This was largely the result of government initiatives to encourage the sector by lowering start-up capital and other costs, particularly in rural areas. However, like the commercial banking sector, the MFI sector is highly concentrated, with four MFIs controlling more than 60 percent of the loan portfolio. The pension sector remains dominated by the obligatory, state-run PAYGO system, although there are a few, small private corporate pension funds.

The insurance sector is also small (with claims less than 1 percent of GDP), consisting of 5 private and one majority state-owned company. The stock market is in its infancy, with just 15 listed securities, of which only one is a company equity share.

Despite the recent expansion in number and size of intermediaries, the depth of bank intermediation is not high. Both deposits-to-GDP and private sector credit-to-GDP, at 25 percent and 12.8 percent, respectively, appear to be around or slightly above the cross-country benchmarks calculated based on macroeconomic, population and structural variables. However, compared to the rest of the region, private credit-to-GDP ratio is below average, and the loan-to-deposit ratio is particularly low.

The outreach of the banking sector has expanded but access to financial services remains low and fragmented. The number of bank branches, automatic teller machine (ATMs), and point-of-sale (POS) has grown in recent years, especially in rural and peri-urban areas. But while large corporates have relatively good access to credit, SMEs and individuals do not (with the exception of salaried employees of corporations that use banks' payroll account services). With respect to financial inclusion, rural populations remain particularly underserved, even though these areas account for over 60 percent of the country's inhabitants. The Financial Inclusion Index calculated by the Bank of Mozambique fell by 1.2 points in 2021, due to a fall in the number of places where financial services can be accessed and the retraction caused by Covid-19, according to the report consulted by Lusa today. According to the Bank of Mozambique, the global Financial Inclusion Index (IIF) calculated by the central bank stood at 12.76 points in 2021, against the 13.93 points recorded in 2020. The Government of Mozambique has a Financial Inclusion Strategy and efforts are being made to improve financial inclusion.

The banking system is largely dominated by foreign-owned financial institutions. There are 19 commercial banks out of a total 40 financial institutions. The largest banks are Millennium BIM (Portuguese and Mozambican shareholders), BCI (Portuguese and Mozambican shareholders), and Standard Bank (South African shareholders). These three banks hold over 70% of all financial assets including deposits and loans. They also cover all major cities and areas of economic growth. Local commercial banks provide most services expected from commercial banks, including some investment banking services. The largest banks have representation offices in Europe, the United States, and China.