FROM ASPIRATIONS TO REALITY:

The Interplay Between Debt Influence and Public Investment Decisions in Mozambique 2015-2024

MOZAMBIQUE REPORT

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1 LIST OF ABBREVIATIONS AND ACRONYMS

Acronym	Full Term (some of the terms have been translated from Portuguese)
CIP	Centre for Public Integrity
DSA	Debt Sustainability Analysis
ECF	Extended Credit Facility
ENDE	National Development Strategy
FMO	Budget Monitoring Forum
GMD	Mozambican Debt Group
IMF	International Monetary Fund
INGD	National Institute for Disaster Management
INGO	International Non-Governmental Organisation
KII	Key Informant Interviews
MEF	Ministry of Economy and Finance
MEPT	Movement for Education for All
MF	Ministry of Finance
MPD	Ministry of Planning and Development
NGO	Non-Governmental Organisation
PQG	Government Five-Year Plan
PSM-PS	Mozambican Civil Society Platform for Social Protection
ROSC	Civil Society Forum for Children's Rights
SDGs	Sustainable Development Goals
UNDP	United Nations Development Programme
UNICEF	United Nations Children’s Fund
WB	World Bank
WFP	World Food Programme
WVI	World Vision International Mozambique

EXECUTIVE SUMMARY

This report examines how external shocks have shaped the balance between debt servicing and public investment in Mozambique from 2015 to 2024. It analyses the trade-offs and fiscal policy decisions that emerged during repeated crises (economic, environmental, security-related) and the political economy forces that influenced budgetary outcomes as well as the IMF's influence. The study also evaluates the allocation and efficiency of public investment in key development sectors: health, education, social protection, agriculture, and infrastructure. Key findings are:

A) AMBITION

Between 2015 and 2024, Mozambique's multi-annual plans sought to align with the Sustainable Development Goals (SDGs) and climate objectives by integrating resilience against climate shocks into national strategies such as the Government's Five-Year Plan (PQG) and the National Development Strategy, complemented by specific frameworks such as the National Climate Change Mitigation Strategy. While these plans emphasised resilient infrastructure and social protection for vulnerable households, the translation of such priorities into budget allocations was uneven. Key development and climate-related sectors often received less funding than expected, highlighting the persistent gap between policy ambition and effective fiscal execution.

The financing assumptions behind these plans reflected optimism, particularly before the disclosure of hidden debts in 2016. The government expected strong macroeconomic performance, supported by the mining boom and future gas revenues, to gradually create domestic primary surpluses while keeping external borrowing within sustainable levels. Grants, concessional loans, and external support were assumed to remain stable, with the contribution of mineral resources expanding fiscal space and reducing donor dependency. Debt sustainability projections relied on assumptions of broad-based economic growth, contained inflation, steady donor flows, and political stability – conditions that proved incorrect.

In practice, the plans fell short of their ambitions due to multiple shocks. The hidden debt scandal triggered the suspension of donor budget support and reduced investor confidence, while internal instability, including the Frelimo-Renamo conflict (2015-2019) and terrorism in Cabo Delgado (from 2017), delayed major gas projects and other investments that were expected to generate substantial fiscal revenues. At the same time, global disruptions such as COVID-19 and the war in Ukraine weakened economic performance and worsened fiscal constraints.

B) SHOCKS

The Mozambican economy has underperformed relative to the ambitions outlined in earlier multi-annual plans, as fiscal outcomes were undermined by a succession of shocks since 2020. COVID-19, the insurgency in Cabo Delgado, repeated cyclones, and the war in Ukraine all weakened growth and fuelled inflationary pressures. These shocks widened fiscal

deficits, strained debt sustainability, and limited resources for social and climate priorities. In response, the government adopted several fiscal and institutional reforms: a strategy to clear domestic arrears (half had been settled by 2024). Monetary policy also eased cautiously, with policy rates cut by 750 basis points to support recovery while maintaining inflation in single digits, complemented by a commitment to exchange rate flexibility.

Additional reforms were advanced to strengthen long-term fiscal and governance frameworks. The approval of the Sovereign Wealth Fund (SWF) law in December 2023, followed by its regulations in early 2024, represented a critical step in anchoring future gas revenues to debt reduction and intergenerational equity. Meanwhile, close collaboration with the IMF has supported improvements in commitment controls, cash management, and debt transparency, essential to prevent the recurrence of arrears and strengthen fiscal discipline. While these measures mitigated short-term vulnerabilities and restored some credibility with development partners, persistent gaps between budget allocations and execution in social sectors remain.

C) IMF TO THE RESCUE?

The IMF loan conditions marked a sharp departure from Mozambique's earlier budgetary practices. Before the revelation of the hidden debts, the government projected robust economic growth, underpinned by coal exports and expectations of broad-based development, and was broadly aligned with IMF recommendations. However, the disclosure of US$1.37 billion in undisclosed external borrowing (2012–2015) severely undermined fiscal credibility, strained international reserves, and exposed the country's vulnerability to debt distress. This breach of trust reshaped relations with the IMF, leading to a suspension of support and, later, a return under far more stringent conditions. Subsequent programmes prioritised fiscal consolidation, wage bill reforms, improved debt transparency, and stronger oversight of state-owned enterprises, contrasting with the government's earlier focus on expansionary budgets and weaker control mechanisms. In this context, social spending and progress towards the Sustainable Development Goals (SDGs) were less prioritised, as the government's immediate concern shifted to stabilising public finances and regaining donor confidence. Looking back, the IMF's macroeconomic assumptions proved overly optimistic. Against this backdrop, Mozambique's bargaining power to seek debt relief under the Common Framework was weakened. Instead, the focus fell on restructuring debt linked to state-guaranteed companies (EMATUM, MAM, ProIndicus) and reforming the public wage system.

The reintroduction of IMF and World Bank-supported programmes in Mozambique aimed to restore macro-fiscal stability through reforms in public financial management, transparency, and targeted social spending protections. A flagship initiative under this framework was the implementation of the Single Wage Table (TSU), intended to rationalize public sector compensation and control the expanding wage bill. However, the reform's rollout in 2022, which coincided with a politically sensitive period ahead of local elections, was marked by weak cost-control mechanisms and institutional unpreparedness. Rather than delivering efficiency gains, the TSU generated budget overruns of nearly 50% relative to IMF projections, pushing the reform's cost from MZN 19.5 billion to MZN 28.5 billion. This not only widened the fiscal deficit but also undermined the IMF's social spending floor,

squeezing resources meant for education, health, and social protection. In 2023, The IMF issued waiver for missed performance criteria, including overruns on the wage bill reform and arrears from state-owned enterprises, but only after remedial measures were taken.

Despite strong conditionality frameworks from international partners, including performance criteria and structural benchmarks aimed at promoting debt transparency and protecting development priorities, the execution of reforms was often constrained by limited institutional capacity and political expediency. Critical decisions around budget allocations and fiscal prioritization were frequently driven by domestic political considerations rather than technical evidence.

D) SPENDING HITS THE GROUND

The discrepancies between budget allocations and actual spending across sectors in Mozambique can largely be explained by weak budget execution capacity, fiscal rigidities, and the impact of unforeseen shocks. Often, approved budgets reflect ambitious targets aligned with national plans, but execution is constrained by delayed donor disbursements, revenue shortfalls, and limited institutional capacity. Political priorities, such as public-sector wages, tend to crowd out planned allocations to infrastructure and social programmes, while emergency expenditures related to natural disasters (such as cyclones and floods) further distort sectoral spending. In several cases, resources earmarked for sectors like health, education, and infrastructure were either under-executed or reallocated, revealing a persistent gap between planning and implementation. This misalignment reflects not only fiscal constraints but also broader governance challenges, including limited technical capacity and institutional autonomy. Technocrats often lack the independence to implement budgets and plans effectively, as decision-making is frequently conditioned by political directives. This situation is further compounded by inadequate monitoring mechanisms and weak commitment controls.

Social spending programmes, while officially prioritised, often struggle to reach the poorest segments of the population effectively. The evolution of consumption poverty in Mozambique, which rose from 48% in 2015 to around 63% in 2019, provides clear evidence that public expenditure has largely failed to improve living conditions for the population. Although initiatives in education, health, and social protection are designed with a pro-poor focus, implementation weaknesses, such as targeting and delivery inefficiencies, leakages, and lack of updated beneficiary registries, reduce their impact.

Efficiency and government performance are commonly assessed through metrics such as execution rates of approved budgets, improvements in service delivery indicators (e.g., school enrolment, health coverage), poverty-reduction outcomes, and adherence to fiscal balance targets. Donors and international institutions also emphasise performance measures related to transparency, debt sustainability, and wage bill control. Despite progress in institutional reforms, the gap between budget ambition and tangible outcomes remains a central challenge, undermining the efficiency of social spending and its ability to drive sustainable development. For example, domestic debt increased from 11% of GDP in 2015 to over 30% of GDP by 2022, contributing to a crowding-out effect that constrained private sector financing and exacerbated unemployment and inequality

1 INTRODUCTION

This report presents an analysis of the interplay between public debt dynamics and fiscal policy decisions in Mozambique, as part of OXFAM's regional study From Aspirations to Reality. The research spans four Southern African countries, Mozambique, Zambia, Zimbabwe, and Malawi, with the central aim of assessing how fiscal strategies, debt levels, domestic political economy, and negotiations with the International Monetary Fund (IMF) have shaped public spending choices and debt restructuring across the region. The study further examines the impact of these factors on economic stability, growth, and progress towards achieving the Sustainable Development Goals (SDGs). The report dives deeper into seven sectors that are key to development: education, health care, social protection, agriculture, water & sanitation, roads, and energy.

Between 2015 and 2024, Mozambique faced a succession of major shocks that put substantial pressure on its fiscal and investment landscape. The hidden debt scandal (involving EMATUM, MAM, and ProIndicus) triggered a fiscal and credibility crisis that cut off access to international finance (Hanlon, 2017; Massingue, 2019). Subsequent crises, including the COVID-19 pandemic, which reduced exports, investment, and purchasing power, and the insurgency in Cabo Delgado, which stalled major natural gas projects, further eroded the country's economic resilience and complicated efforts to finance and deliver critical public investments. Similar fiscal stress and rising debt burdens were observed in Malawi, Zimbabwe, and Zambia, exacerbated by both domestic mismanagement and external shocks such as the global pandemic and the Ukraine conflict. These countries not only breached their own national debt thresholds but also surpassed the 60% of GDP regional debt ceiling, highlighting the urgency of robust reforms to restore fiscal discipline, accountability, and effective debt management (Bangara, 2024; Mateko et al., 2025).

This report is organised into six sections, beginning with this introduction, a brief contextual overview and a methodology section. That is followed by four main analytical chapters. Section 2, "The Ambition", assesses the extent to which Mozambique's multi-year national plans are aligned with the Sustainable Development Goals (SDGs) and climate objectives. It also explores the underlying assumptions regarding financing, public debt, and macroeconomic sustainability, as well as the factors that may have led to these ambitions being scaled back in practice. Section 3, "Shocks", examines Mozambique's economic performance relative to these plans, identifies and contextualises the major shocks that have occurred since 2015, and analyses the main fiscal measures adopted in response. Section 4, "IMF to the Rescue?", examines the conditions attached to IMF support, comparing them with the government's original fiscal plans, and evaluates the government's efforts to protect SDG-related spending. It also critically assesses the realism of the IMF's assumptions and considers the reasons for not pursuing debt relief through the Common Framework. Section 5, "Spending Hits the Ground", examines discrepancies between budget allocations and actual expenditure in key sectors, examines the targeting of social spending towards the poor, and reviews common metrics of efficiency and government performance. The report concludes in Section 6 with a summary of key findings and a set of recommendations.

2 MACROECONOMIC AND FISCAL CONTEXT IN MOZAMBIQUE: BRIEF OVERVIEW

Between 2015 and 2023, Mozambique's macroeconomic environment was characterised by considerable volatility and persistent structural challenges, shaped by both external shocks and internal dynamics. In 2015, the country recorded moderate GDP growth of 3.8%, but this was soon followed by a worsening of fiscal stress, which continued through to 2019. This is reflected in rising inflation, the depreciation of the Mozambican currency, the metical (MZN), and an increase in real interest rates.

The rise in inflation rates, the depreciation of the metical, and the sharp rise in real interest rates between 2016 and 2018 had profound effects on the well-being of Mozambican households and on poverty levels nationwide. Annual inflation reached highest levels, standing at 17.4% in 2016 and 15.1% in 2017, significantly raising the cost of basic goods such as food, transport, and energy. Simultaneously, the metical experienced rapid depreciation against the US dollar, with the average exchange rate moving from 39.98 MZN/USD in 2015 to 63.06 in 2016 and 63.58 in 2017, thereby increasing the cost of all imported goods and reducing the purchasing power of the national currency. In this context, real interest rates climbed to 8% in 2016 and reached 18% in both 2017 and 2018, making credit more expensive for households and businesses and restricting access to finance for both consumption and investment. These dynamics severely hampered the ability of families, especially in urban areas and among the most vulnerable groups, to maintain their standard of living. As one of the possible results, the poverty rate rose from 48% in 2015 to 63% in 2019, demonstrating that the adverse macroeconomic environment contributed directly to the deterioration in living conditions and the deepening of economic hardship for Mozambique's population.

The government's capacity to finance its expenditures became increasingly constrained, with central government debt rising markedly from 79% of GDP in 2017 to 101% in 2020. This reflected both new borrowing and the economic contraction triggered by the COVID-19 pandemic.

The lowest point in terms of economic growth was reached in 2020, when real GDP contracted by 1%. This downturn was associated with the crisis caused by COVID-19, which disrupted domestic economic activity through lockdowns and restrictions on commercial activity, while also compounding existing vulnerabilities via disruptions to global trade. During this period, fiscal revenues fell to 22.7% of GDP. However, inflation remained relatively contained at 3.5%, partly because of reduced economic activity and stabilisation efforts by the central bank. These central bank efforts included monetary tightening, notably the maintenance of high interest rates, which, although helping to contain inflation, were not conducive to economic growth, – particularly in terms of expanding the private sector through access to credit, at a time when public domestic debt continued to grow.

A moderate recovery in the economy has been evident since 2021. Real GDP growth rose to 2% in 2021, 4% in 2022, and reached 5% in 2023, reflecting the gradual lifting of pandemic-related restrictions. Despite this more positive trajectory, inflation accelerated again, reaching 10.3% in 2022, driven mainly by global increases in food and fuel prices, before moderating to 7.1% in 2023, in a new context marked by that war in Ukraine.

Table 1: Macroeconomic and fiscal indicators

Indicator	2015	2016	2017	2018	2019	2020	2021	2022	2023
MACROECONOMIC INDICATORS									
GDP (MZN - local currency, constant 2015 in billions)	648	1,070	1,108	1,087	1,154	1,266	1,221	1,243	1,311
GDP (constant 2015 US$, in billions)	16.2	17	17.4	18	18.4	18.2	18.7	19.5	20.5
Real GDP Growth (based on real GDP, constant 2015 US$		5%	2.6%	3.5%	2%	-1%	2%	4%	5%
Exports of goods and services (constant 2015 US$, in billions)	5.3	4.9	5.1	6.0	5.8	4.9	5.8	7.3	6.9
Inflation, consumer prices (annual %)	3.60%	17.40%	15.10%	3.90%	2.80%	3.50%	6.40%	10.30%	7.10%
Exchange Rate (MZN/USD, average)	39.98	63.06	63.58	60.33	62.55	69.47	65.47	63.85	63.89
Population (millions)	26.55	27.34	28.17	29.02	29.88	30.78	31.71	32.66	33.64
Poverty Rate (%)	48%	N/A	N/A	N/A	63%	N/A	N/A	N/A	N/A
FISCAL INDICATORS									
Central government debt, total (% of GDP)	N/A	92%	79%	81%	79%	101%	84%	77%	72.5%
Revenue, excluding grants (% of GDP)	26%	24%	27%	25%	29%	26%	24%	24%	30%
General government final consumption expenditure (% of GDP)	26%	26%	25%	22%	23%	21%	19%	16%	17%
External debt stocks, total (DOD, current US$ in billions)	38.03	42.83	45.97	49.81	54.21	58.66	62.67	64.38	66.85
External debt stocks (% of Gross National Income)	239%	362%	357%	338%	356%	421%	396%	369%	350%
Total reserves (% of total external debt)	7%	5%	7%	6%	7%	7%	6%	5%	5%
Real interest rate (%)	7%	8%	18%	18%	14%	13%	13%	10%	17%
Total Expenditure (% GDP)	35%	33%	31%	29%	30%	29%	25%	23%	22%

Primary fiscal deficit(% GDP)	-11%	-11%	-7%	-6%	-1%	-6%	0%	2%	3%
Public capital expenditure (% GDP)	**10%**	**7%**	**6%**	**7%**	**7%**	**8%**	**6%**	**6%**	**5%**
Grants (% GDP)	**3%**	**2%**	**2%**	**2%**	**1%**	**4%**	**2%**	**4%**	**5%**

Source: World Bank (2025), General State Account (2015), Debt Management Report (2023

3 METHODOLOGY

This study adopted a mixed-methods approach, combining quantitative analysis with qualitative interviews to provide a comprehensive understanding of Mozambique's fiscal strategy. The primary objective was to assess budget allocation mechanisms and the effectiveness of public investments in key sectors, namely: education, health, social protection, agriculture, and infrastructure, while also evaluating the sustainability of public debt, the efficiency of public expenditure, the broader economic and political drivers influencing fiscal policy, and the impact of the IMF programme and debt restructuring on sectoral spending.

The methodology was structured into two main components: (i) desk research and (ii) interviews with key stakeholders.

The desk research formed the analytical foundation of the study and covered the period from 2015 to 2024. This phase involved a systematic review of official documents and secondary data from the General State Accounts (CGE), 5-year government program and annual government plans, and reports from institutions such as the Ministry of Economy and Finance, the Bank of Mozambique, the IMF, the World Bank, and other relevant development partners. The research focused on capturing the evolution of public debt, fiscal responses to external shocks, and the allocation of public expenditure across the seven essential sectors.

The analysis began with an assessment of Mozambique's macroeconomic and fiscal context, including trends in GDP growth, inflation, exchange rates, interest rates, and the evolution of government revenues and expenditures. Debt sustainability was examined through key indicators such as the debt-to-GDP ratio, fiscal deficits, and the government's capacity for domestic revenue mobilisation. The study also identified and analysed the impact of major external shocks, including tropical cyclones (e.g., Idai and Freddy), the COVID-19 pandemic, global commodity price volatility, and international monetary policy changes on public finances and debt dynamics.

A detailed review was conducted on the structure and composition of public debt, covering the balance between domestic and external debt, creditor types (multilateral, bilateral, and private), debt servicing costs, and associated fiscal risks. The analysis also explored the government's fiscal strategy in response to crises, such as expenditure reallocations, emergency borrowing, tax reforms, and the influence of IMF programme negotiations on public expenditure and debt restructuring decisions.

To complement the desk research, structured and semi-structured interviews were conducted with a broad range of key stakeholders. These included government officials from strategic ministries such as the Ministry of Finance, the Ministry of Planning and Development, the Ministry of Public Works and Housing, the Ministry of Education and Culture, and the Ministry of Health. The interviews explored budgetary decision-making, sectoral priorities, and the challenges of maintaining fiscal discipline while advancing development goals.

In addition to government actors, the interviews involved civil society and NGOs, namely ActionAid Mozambique, ChildFund Mozambique, the Education for All Movement (MEPT), Civil Society Forum for Child Rights in Mozambique (ROSC), the Citizen Observatory for Health, and independent experts with recognised experience in public finance and social affairs. These institutions play an important role in monitoring fiscal transparency, advocating for equitable public spending, and amplifying citizens' voices. They contributed with technical analyses and independent suggestions on public finance trends, debt dynamics, and the social impacts of budgetary policy.

4 THE AMBITION: FISCAL STRATEGY AND ALIGNMENT WITH DEVELOPMENT GOALS

Mozambique's National Development Strategy 2015–2035 sets out the government's central aspiration to reduce poverty, foster inclusive growth, and drive structural transformation of the economy. This strategy is closely aligned with the Sustainable Development Goals (SDGs) and other key national and international instruments. These programmes are underpinned by a diverse range of planning frameworks, including: (i) Agenda 2025; (ii) the National Development Strategy 2015–2035; (iii) sectoral and territorial policies and strategies; (iv) the Integrated Investment Programme; (v) the Strategic Plan for the Promotion of Private Investment in Mozambique; (vi) reviews of previous five-year government programmes, such as the PQG 2015–2019 and the Poverty Assessment Report; (vii) the Medium-Term Fiscal Framework; (viii) the SADC Regional Strategic and Integrated Development Plan; (ix) the New Partnership for Africa's Development (NEPAD); (x) the African Peer Review Mechanism (APRM); (xi) the African Union's Agenda 2063 [1] ; and (xii) the Millennium Development Goals/Sustainable Development Goals and the Post-2015 Global Development Agenda (African Union, 2015; GdM, 2014, 2015b) . Implementation and monitoring of these programmes are carried out through the national planning and budgeting system, utilising the Economic and Social Plan (PES), the State Budget (OE), and the Medium-Term Fiscal Framework, with progress measured by sub-annual and annual execution reports.

For the sectors of education, health, social protection, agriculture, water and sanitation, and energy, the Mozambican government has actively sought to align its ambitions not only with the sector-specific Sustainable Development Goals (SDGs) – including SDG 4 (Quality Education), SDG 3 (Good Health and Well-being), SDG 2 (Zero Hunger), SDG 6 (Clean Water and Sanitation), and SDG 7 (Affordable and Clean Energy) , but also with SDG 13 (Climate Action) and broader climate commitments. The government's pursuit of universal electrification increased agricultural productivity, and expanded access to safe water and sanitation demonstrates a dual commitment to human development and environmental sustainability, recognising the interplay between poverty reduction, climate adaptation, and resilience building at national and global levels.

The alignment between Mozambique's development strategies and the Sustainable Development Goals (SDGs) is operationalised through an integrated national planning and budgeting framework that embeds global targets within sectoral and territorial policy instruments. However, despite this formal coherence across policy documents, the achievement of many goals remains highly dependent on the dynamics of domestic revenue flows and the predictability of donor support. In sectors such as education and health, for instance, a significant portion of strategic objectives is implemented through off-budget projects, such as the Education Sector Support Fund (FASE), supported by partners including the European Union, UNICEF, and Swedish Government[2] , and the Health System

[1] https://www.afdb.org/fileadmin/uploads/afdb/Documents/Policy-Documents/Agenda2063_Popular_Version_English.pdf

[2] https://www.globalpartnership.org/blog/mozambique-better-alignment-funding-increases-engagement-and-efficiency

Strengthening Programme (PROSAÚDE) [3]. This fund collects donor contributions from Ireland, Switzerland, Italy, Spain, Flanders and UNFPA (United Nations Population Fund).

Within social protection, the National Strategy for Basic Social Security (2016–2024) (GdM, 2015a) defines its mission as ensuring greater autonomy and resilience for poor and vulnerable populations by upholding their social rights. The first pillar of this strategy emphasises strengthening the consumption capacity, autonomy, and resilience of the poor and vulnerable; improving nutrition and access to education and health services; and preventing or addressing social risks, including violence, abuse, exploitation, discrimination, and exclusion, all within the context of increasing climate vulnerability.

In terms of disaster risk management and climate adaptation, Strategic Objective III of the Master Plan for Disaster Risk Reduction (PDRRD) 2017–2030 seeks to consolidate public investment processes, land use planning, and financial protection mechanisms against natural disasters. These interventions are critical for achieving SDG 13, as they support the economic and climate resilience of individuals and communities through the promotion of innovation, growth, and job creation, while reducing vulnerability to climate-related hazards (INGC, 2017).

The alignment between government plans and the SDGs is detailed in Table 3. In terms of targets, both the national development strategy and the government's five-year programmes (PQG 2015–2019 and PQG 2020–2024) reinforce this alignment by setting specific goals for each sector, reflecting the country's needs and the obligations undertaken under the SDGs. For example, the objective of extending social protection coverage from 9% of poor households in 2015 to 75% by 2030, or tripling maize productivity by 2035, is directly aligned with SDG 1 (No Poverty) and SDG 2. These targets are operationalised and monitored through the national planning and budgeting system, with periodic reviews to assess progress. While the plans do not always include a detailed budget for each SDG or climate-related goal, the intended outcomes are clear: improved access, higher quality services, and greater resilience, especially in historically disadvantaged regions.

Underlying these ambitions were various assumptions regarding financing and debt. The plans predicted that progress would be achieved through a balanced mix of domestic resource mobilisation, external grants, and concessional loans. In 2015, external public debt stood at USD 9.7 billion, with projections rising to USD 20.2 billion by 2025 and USD 28.7 billion by 2030, – figures considered sustainable according to the macroeconomic forecasts of the time. Investment expenditure was expected to remain close to 20% of the total expenditure, supported by growing fiscal revenues projected to reach 30–32% of GDP by 2030. The strategies relied heavily on continued donor engagement and increased domestic revenue resulting from economic growth, with the expectation that this combination would allow for investment in priority sectors without exceeding prudent debt thresholds (Francisco & Siúta, 2014, 2015).

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[3] https://www.fdfa.be/en/2-million-euro-grant-for-health-sector-mozambique

Looking towards 2030 – 2035, Mozambique's ambition is to promote inclusive and sustainable development, with specific targets in key sectors. In education, the aim is to achieve a primary school completion rate of between 90% and 95%, reduce adult illiteracy to 27–30%, and increase the number of higher education students to 7 per 1,000 inhabitants. In health, the objective is to lower the infant mortality rate to 47 per 1,000 live births, reduce maternal mortality to just 5 per 100,000 live births, and increase life expectancy to 65 years. In social protection, the aspiration is for 75% of poor households to benefit from support programmes. In terms of infrastructure, electrification is expected to reach 100% of the population, and access to sanitation is projected to rise to 70%. With regard to fiscal sustainability, fiscal revenues are projected to reach 32% of GDP by 2030, with investment spending remaining close to 20% of GDP, while external public debt is expected to stabilise at around USD 28.7 billion by 2030, thus ensuring macroeconomic stability and sufficient space for public investment geared towards social and economic development.

Table 2: Development Indicators and Targets Matrix

Sector	Indicator	2015 [1]	2020-2024	2035 target	Corresponding SDG
Education	Primary education completion rate (Grade 7)	47%	64%	95%	SDG 4.1 – Ensure free, equitable and quality primary education
	Adult illiteracy rate	46%	45%	30%	SDG 4.6 – Ensure that all youth and adults achieve literacy and numeracy
	Net basic education enrolment rate	46%	94%	75%	SDG 4.1 / 4.5 – Inclusive and equitable education for all
	Tertiary students per 1,000 inhabitants	3	N/A[2]	7	SDG 4.3 – Equal access to tertiary education
Health	Infant mortality rate (per 1,000 live births)	108	47.18	47	SDG 3.2 – End preventable deaths of newborns and children under 5 years
	Maternal mortality rate (per 100,000 live births)	408	126.50	5	SDG 3.1 – Reduce the global maternal mortality ratio
	Life expectancy (years)	51	63.1	65	SDG 3.8 – Achieve universal access to quality health care
Social Protection	Poor families benefiting from social protection	9%	4%	75%	SDG 1.3 – Implement nationally appropriate social protection systems
Agriculture	Average maize yield (ton/ha)	1.2	1	3	SDG 2.3 – Double the agricultural productivity of small-scale producers
	Average rice yield (ton/ha)	1.1	0.7	4	SDG 2.3 – Increase productivity and incomes of agricultural producers
Water & Sanitation	River basins with management plans in use	8%	N/A	80%	SDG 6.5 – Implement integrated water resources management
	Access to sanitation services	24%	37%	70%	SDG 6.2 – Achieve access to adequate and equitable sanitation for all
Electricity	Electrification rate	40%	36%	100%	SDG 7.1 – Ensure universal access to affordable, reliable and modern energy
Public Debt	Domestic public debt (million MT)	18,076.90		—	—
	External public debt (million USD)	9,699.70	66,847.72	28,754	SDG 17.4 – Assist developing countries in achieving debt sustainability

	Investment expenditure (% of GDP)	18.80%	19.88%	19.8%	SDG 8.1 / 9.1 – Promote growth and infrastructure investment
	Fiscal revenues (% of GDP)	24%	25%	32.0%	SDG 17.1 – Strengthen domestic resource mobilisation for development
	Grants (%GDP)	5.4%	4%	0.3%	
	GPD growth rate	8.2%	4%	7%	
Notes: 1) National strategy reference data in 2015 **2) N/A – not available**					

Table 3: Alignment between National Plans, Sustainable Development Goals

Sector	PQG 2015–2019 Priority	PQG 2015–2019 Strategic Objective	PQG 2020–2024 Priority	PQG 2020–2024 Strategic Objective	Relevant SDG(s)
Education	Develop Human and Social Capital	Promote an inclusive, efficient, and effective education system	Develop Human Capital and Social Justice	Promote an inclusive, efficient, and effective education system	SDG 4: Quality Education
Health care	Develop Human and Social Capital	Expand access to and improve the quality of health services	Develop Human Capital and Social Justice	Expand access to and improve the quality of health services	SDG 3: Good Health and Well-Being
Social protection	Develop Human and Social Capital	Promote gender equality, social inclusion, and protection of the most vulnerable	Develop Human Capital and Social Justice	Promote gender equality, social inclusion, and protection for the most vulnerable segments	SDG 1: No Poverty SDG 10: Reduced Inequalities
Agriculture	Promote Employment, Productivity and Competitiveness	Increase production and productivity, with emphasis on agriculture	Boost Economic Growth, Productivity and Employment	Promote the value chain of primary national products and integration of local content	SDG 2: Zero Hunger and Sustainable Agriculture
Water and sanitation	Develop Economic and Social Infrastructure	Build and expand water storage, irrigation and sanitation infrastructure; integrated water resource management	Develop Human Capital and Social Justice	Expand access to and quality of basic services, including water and sanitation	SDG 6: Clean Water and Sanitation
Electricity	Develop Economic and Social Infrastructure	Increase access to quality and reliable electricity	Boost Economic Growth, Productivity and Employment	Promote the development of economic, social, and administrative infrastructure	SDG 7: Affordable and Clean Energy
Roads	Develop Economic and Social Infrastructure	Improve and expand the road and vital bridge network	Boost Economic Growth, Productivity and Employment	Improve and increase capacity for passenger and cargo transport	SDG 9: Industry, Innovation and Infrastructure

Public debt	Promote Employment, Productivity and Competitiveness (cross-cutting in macro policies)	Improve macroeconomic environment and public finance management	Boost Economic Growth, Productivity and Employment	Promote a balanced macroeconomic environment and sound public finance management	SDG 17: Partnerships for the Goals

Mozambique's multi-annual plans have fallen short of their ambitions not merely due to limited financial resources but primarily because of structural budgetary constraints and recurring governance issues. According to the International Monetary Fund (IMF), persistent breaches of Mozambique's Budget Law and SISTAFE regulations have significantly undermined fiscal credibility. Government spending often surpasses approved limits without parliamentary approval or supplementary budgets, violating fiscal regulations and reducing trust among international donors (Fijamo, 2024; IMF, 2016, 2023). Consequently, these practices have led to reduced external funding and greater caution in setting ambitious targets for external grants or concessional loans.

For example, the 2023 General State Account (CGE), reviewed by the Administrative Court (Tribunal Administrativo) provides further evidence of these systemic weaknesses. Audit findings revealed multiple violations of the SISTAFE framework, including the non-execution of investment projects worth MZN 23.3 billion, reallocated to recurrent expenditure without legal authorisation, contrary to Article 87 of the SISTAFE Law. Additional irregularities included discrepancies in financial records across several budget tables, breaching the principle of clarity and accuracy enshrined in Article 49, and the execution of MZN 1.156 billion in programmes not registered in the PESOE 2023, violating the principle of universality (Article 20). Moreover, the Ministry of Mineral Resources and Energy (MIREME) disbursed MZN 288 million to the state-owned electricity company (EDM) outside the existing contractual framework and issued MZN 132 million in cheques to the Ministry of Transport and Communications to compensate fuel transporters, despite the fuel subsidy having been abolished in 2017. These off-budget operations were not recorded in the 2023 CGE, constituting a direct violation of Articles 27(2) and 49 of the SISTAFE Law. Such practices illustrate the persistence of fiscal indiscipline, weak internal controls, and the absence of a unified Treasury account, all of which erode budget credibility and hinder the effective implementation of development plans (Tribunal Administrativo, 2024).

A critical factor driving fiscal constraints has been the rapid growth of the public wage bill, which has risen from about 10 percent of GDP in 2017 to roughly 17 percent of GDP in 2022, well above both Mozambique's historical trend and levels observed in many sub-Saharan African peers. While tax revenues have increased over the period, they have not grown at a pace sufficient to offset this expansion (Table 1). The sharp acceleration reflects, in part, the June 2022 implementation of the Single Wage Table (Tabela Salarial Única – TSU), a reform intended to improve transparency and predictability by unifying salary scales and rationalising allowances. In practice, the reform proved more costly than anticipated, with wage-bill overruns exceeding initial estimates due to implementation challenges and insufficient offsetting measures, and was largely financed through expensive domestic borrowing. As a result, the budget has become increasingly rigid, constraining space for capital investment and other priority spending. With limited resources remaining after covering salaries and debt obligations, the government faces reduced flexibility, prompting cautious and realistic planning rather than relying on optimistic scenarios of increased external funding (IMF, 2024b; MEF, 2022).

Regarding public debt, both the IMF and Mozambique's Administrative Court (Tribunal Administrativo) emphasise growing sustainability concerns. The reduction in concessional international lending has forced Mozambique to increasingly issue costlier short-term

domestic debt to service existing external commitments. For example, between 2015 and 2023, yearly domestic borrowing, in nominal terms, rose from MZN 9.1 billion to over MZN 52 billion, representing an increase from 1% to 4% of GDP, while external borrowing declined from MZN 37 billion (5% of GDP) in 2016 to MZN 24 billion (2% of GDP) in 2023. Over the same period, debt service costs nearly tripled, rising from MZN 7.6 billion (1% of GDP) in 2015 to MZN 51.5 billion (4% of GDP) in 2023, reflecting heavier reliance on domestic markets and higher interest burdens. This shift, combined with rising interest rates and an unfavourable macroeconomic environment, has significantly increased debt servicing costs and heightened the risk of over-indebtedness. Thus, projecting overly ambitious external resource mobilisation targets has become risky and potentially counterproductive, as donors and international agencies now condition their support on demonstrated improvements in fiscal discipline and transparency.

Table 4: Yearly Public Debt Service and Borrowing 2015–2023, (nominal values)

Year	Debt Service (million MZN)	Debt Service (% of GDP)	External Borrowing (million MZN)	External Borrowing (% of GDP)	Domestic Borrowing (million MZN)	Domestic Borrowing (% of GDP)	Nominal GDP (million MZN)
2015	7,622	1%	30,999.65	5%	9,132.26	1%	648,075
2016	16,309	2%	36,937.93	5%	9,070.20	1%	761,029
2017	18,020	2%	43,359.81	5%	21,199.73	3%	843,423
2018	27,250	3%	34,916.35	4%	19,051.02	2%	905,940
2019	29,703	3%	36,891.38	4%	28,545.75	3%	970,297
2020	27,378	3%	43,994.36	4%	54,068.40	5%	988,863
2021	42,378	4%	23,255.46	2%	51,200.81	5%	1,058,442
2022	35,434	3%	33,931.11	3%	63,493.56	5%	1,205,729
2023	51,554	4%	24,374.78	2%	52,097.19	4%	1,336,561

Source: General State Account (2015-2023)

In the education sector, despite some progress, chronic issues persist, as noted by the Administrative Court. Problems include ineffective distribution and poor control mechanisms for textbooks, inadequate verification processes, and weak execution of planned activities. These persistent execution challenges, coupled with uncertainty about external financing flows, have constrained ambitious expansion efforts in education. Consequently, planners prefer moderate, realistic targets that reflect actual absorption and execution capacity, rather than optimistic assumptions about external funding that frequently fail to materialise.

In the health sector, although some strengths were acknowledged, including technical capacity and monitoring of action plans, substantial institutional weaknesses were identified by the Administrative Court. Notably, insufficient regulation, inadequate central supervision, and poor monitoring of medical supply logistics were observed. These institutional shortcomings, together with the restrictive effects of high salary expenditure and debt obligations, have consistently impeded the implementation of key healthcare activities.

Box 1. The Ambition of the 2015-19 Plan Meets Reality

- **Key Macro-Economic Assumptions Relevant to Debt Sustainability**

The government's multi-annual plans were built on relatively optimistic macro-economic assumptions from the period of high growth 2010-2014. Projections generally assumed steady GDP growth driven by extractive industries, robust export performance (particularly coal, aluminium, and natural gas), and rising domestic government revenues through improved tax mobilisation. Exchange rate stability was expected to be maintained through prudent monetary policy, while interest rates were assumed to remain moderate to support borrowing sustainability. These assumptions were central to debt sustainability analyses, as they implied a stable capacity to service debt. However, the underlying vulnerabilities—including exposure to commodity price volatility and the heavy reliance on external financing—were underestimated, leading to an overly positive assessment of debt dynamics.

- **Why Multi-Annual Plans Fell Short of Needs**

Despite these assumptions, the government quickly failed to meet this ambition, due to both external factors and domestic mismanagement. The most obvious constraint was limited fiscal space: the government prioritised stabilising public finances after a commodity price shock and the debt crisis.

In 2015, the Mozambican economy was severely affected by external shocks that led to significant reserve losses and greater balance of payments pressures than initially anticipated.

- Exports fell US$170 million short of projections in the first semester, reflecting sharp declines in international commodity prices—particularly aluminium and natural gas, but also affecting traditional exports.
- Coal companies, faced with persistently low prices, opted to limit export volume growth in order to contain losses.
- Foreign direct investment in megaprojects fell by half during the first half of 2015, as key production agreements between the government and concessionaires were delayed, postponing investments in coal and LNG processing infrastructure.
- External aid disbursements continued their downward trend, further tightening fiscal constraints (IMF, 2013).

In 2016, conditions worsened with the suspension of budget support by most donors, including the IMF, following the disclosure of the hidden debts. These developments ran counter to the assumptions of the previous five-year plan, which had envisaged the exploitation of natural resources (coal, gas, and oil) and the continuation of donor support as critical sources of financing for government programmes.

5 SHOCKS

5.1 HIDDEN DEBT CRISIS (2015–2016)

The hidden debt crisis erupted in 2015–2016, when previously undisclosed public debts came to light. This revelation led to an immediate suspension of donor budget support, a collapse of external confidence, sharp currency depreciation, and a steep rise in sovereign risk. Government revenues fell well below multiannual projections, and planned expenditure targets were abruptly revised as the country struggled with an liquidity squeeze (Francisco & Semedo, 2016; Hanlon, 2017).

The impact of the debt crisis was felt across all seven priority sectors. Capital investment in education and health was delayed or scaled back, with non-salary expenditures and infrastructure expansion frozen in the 2016 and 2017 budgets. Social protection programmes were curtailed, and planned expansions in agricultural support, water infrastructure, and rural electrification were postponed. Budget execution rates in these sectors dropped below those set out in the original five-year plan. Most critically, public debt surged from under 60% of GDP to over 100% at its peak, as the government resorted to additional borrowing to fill revenue gaps and meet essential expenditure, shifting debt composition towards more expensive domestic and non-concessional external loans (Ibraimo, 2019; Ibraimo & Siúta, 2022). For example, despite the 2016 hidden debt crisis, several foreign creditors continued to engage with Mozambique, accepting substantial financial and political risks. The most significant were non-traditional bilateral lenders, notably the Exim Bank of China, which increased disbursements by 73% between 2016 and 2017 to finance large infrastructure and energy projects, and Japan, whose lending rose by 123% through development cooperation programmes. Smaller but symbolic increases came from the Kuwait Fund and the Saudi Fund, reflecting growing Middle Eastern involvement. In contrast, most Western partners, including Portugal and the French Development Agency, reduced or halted disbursements following the suspension of budget support.

Table 5: Bilateral External Disbursements, 2016–2017 (in USD millions)

Creditor	2016	2017	Change 2016–2017 (%)
Bank of Austria	1.54	2.36	53.25%
French Development Agency (AFD)	9.84	–	-
Portugal	10.37	3.21	-69.05%
Japan	43.78	97.55	122.82%
Exim Bank of China	184.98	320.59	73.31%
Exim Bank of India	5.2	1.81	-65.19%
Exim Bank of Korea	26.76	7.78	-70.93%
Kuwait Fund	0.4	2.38	495.00%
Saudi Fund	0.08	4.18	5125.00%
Nordic Bank (Denmark)	13.13	19.16	45.93%
TOTAL BILATERAL	**296.08**	**459.02**	**55.03%**

Source: MEF (2018)

The government responded to the debt crisis with a mix of austerity and renegotiation. Fiscal policy tightened sharply: non-priority spending was cut, and investment projects were suspended. There was an increase in the policy interest rate to contain inflation and support the currency, further increasing the cost of debt service. At the same time, Mozambique entered into negotiations with creditors to restructure a portion of its sovereign debt. Nevertheless, limited monetary and fiscal space constrained the effectiveness of policy responses, leaving basic service delivery vulnerable and exposing the government to prolonged fiscal stress.

To assess how this tightening translated into social sector budgets, it was estimated a simple econometric model using annual data for 2007–2024 that links spending in each priority sector to the government's debt-service burden. Specifically, the model distinguishes domestic and external interest payments and examine whether increases in either are associated with reductions ("crowding-out") or increases in sector outlays, while controlling for overall economic size (GDP), external grants, and domestic revenues. It was included a post-2016 shock to capture the structural break following the hidden-debt crisis. The model is log–log, so results are easy to read as elasticities. This approach allows to see where debt service bites hardest and whether that bite changed after 2016, while keeping the analysis accessible and comparable across sectors. As with any observational study, findings show associations, not proof of causation, and should be read alongside institutional facts on project financing and budget rules.

The results say that when the government's debt-service bill rises, some budgets tighten,especially after the 2016 crisis,but the squeeze isn't uniform across sectors. The clearest "crowding-out" is on Roads: holding GDP, grants and revenues constant, a 10% increase in domestic-debt interest is associated with about a 0.7% fall in roads spending (statistically strong), while external-debt interest has no reliable direct effect there; by contrast, Social protection is more exposed to external-interest costs: a 10% rise in external-interest payments goes with roughly a 1.8% drop in social-protection spending (also statistically strong).

For Education and Health, the direct effects of either internal or external interest are tiny and statistically weak, and their budgets are driven more by the size of the economy and financing available, e.g., Health rises with grants (a 10% grant increase is linked to about +2.3% health spending).

Finally, the 2016 shock—capturing the reset after the hidden-debt crisis shows a general level shift in several sectors (e.g., Roads around −19%, Health about −8%, Electricity about −23%, Agriculture about −77%, and Water a large positive jump), but most of these level effects are not statistically precise once we control for GDP, grants and revenues; the big message is that, beyond the one-off 2016 reset, external-interest costs press most clearly on social-protection budgets, while domestic-interest costs weigh on roads, and education/health are mainly anchored by overall funding conditions rather than by debt-service swings themselves.

Table 7: Econometric results with Robust SEs

Variable	Education	Health	Roads	Water	Agriculture	Social Protection	Electricity
Log (Internal interest)	0.001 (0.005)	0.002 (0.009)	-0.067*** (0.015)	-0.056 (0.039)	-0.016 (0.019)	-0.012 (0.028)	0.050*** (0.016)
Log (External interest)	-0.050 (0.033)	-0.016 (0.059)	0.018 (0.021)	-0.027 (0.164)	0.022 (0.066)	-0.182*** (0.062)	0.371 (0.244)
Log (GPD)	0.913* (0.483)	0.889 (0.647)	-2.132*** (0.463)	-7.777* (4.124)	3.487 (3.527)	-2.384 (2.032)	-1.149 (1.728)
Log (Grants)	-0.013 (0.081)	0.232** (0.108)	0.029 (0.184)	0.547 (0.494)	-0.072 (0.493)	0.531 (0.351)	0.300 (0.335)
Log (Revenue)	0.348 (0.226)	0.292 (0.436)	1.967*** (0.235)	4.031* (2.303)	-0.454 (1.725)	3.097*** (0.991)	0.849 (0.838)
Shock2016	-0.000 (0.128)	-0.087 (0.132)	-0.208 (0.159)	2.085 (1.271)	-1.451 (1.164)	0.354 (0.712)	-0.266 (0.704)
Observations	18	18	18	18	18	18	16
R-squared	0.972	0.954	0.871	0.471	0.826	0.904	0.779

*Note: Entries are coefficients with significance stars (*** p<0.01, ** p<0.05, * p<0.10); robust HC1 standard errors in parentheses.*

Sources: Estimation using General State Account (2006-2024)

Debt service obligations became a de facto ceiling on social spending. The hidden-debt shock did not merely shrink available fiscal space, it structurally reoriented the budget's allocation logic toward serving creditors instead of citizens. This resulted in regressive outcomes and undermined the state's capacity to deliver essential public service.

Box 2: Mozambique’s Debt Restructuring After the Hidden-Debt Crisis

Following the 2016 hidden-debt revelation, Mozambique suspended payments on its commercial obligations and began negotiations with creditors to restore solvency. In March 2018, the government proposed a debt-restructuring package targeting roughly US $2 billion in commercial debt. However, the Global Group of Mozambique Bondholders, which represented over 80 percent of the Eurobond holders, rejected it as a “non-starter,” arguing that the proposals were overly punitive, lacked clarity on gas-related revenues, and risked eroding investor confidence.

The largest restructuring occurred in 2019, when the government converted the defaulted US $726.5 million EMATUM bonds into a new US $900 million Eurobond maturing in 2031, carrying a coupon of 5 percent until 2023 and 9 percent thereafter. This exchange achieved about US $1 billion in temporary cash-flow relief through 2023, but only a limited present-value reduction relative to the original bond's net value, since most of the adjustment came from maturity extension rather than a principal haircut.

The second and third components, ProIndicus and Mozambique Asset Management (MAM), involved syndicated commercial loans totalling about US $1.16 billion, arranged primarily by Credit Suisse and VTB Capital. After prolonged litigation in the High Court of London, Mozambique reached a series of settlements in 2023–2024. In October 2023, the government and Credit Suisse signed an out-of-court settlement (amount undisclosed), followed by additional agreements in June–July 2024 with VTB Group and Banco Comercial Português (BCP). These deals reduced Mozambique’s combined exposure on the ProIndicus and MAM loans from approximately US $1.4 billion to US $220 million, representing an 84 percent nominal reduction. These settlements coincided with a High Court ruling in July 2024 in favor of the Mozambican state against Privinvest, which ordered US $825 million in compensation plus indemnities for future obligations.

Beyond these commercial instruments, Mozambique did not undertake a broad restructuring of its concessional or multilateral debt. Official bilateral talks were limited to reconciling old arrears with non-Paris-Club creditors such as Libya, Iraq, Angola, Bulgaria, and Poland, without major write-offs (IMF, 2018). Consequently, the 2019 and 2023–2024 restructurings covered mainly the hidden-debt-related commercial liabilities, while the concessional portfolio remained serviced as scheduled. Despite these operations, Mozambique's external public debt stood at 93.7% of GDP and the IMF continues to classify the country as in debt distress, underscoring that the relief obtained provided short-term liquidity rather than full debt sustainability (IMF, 2024)

5.2 CABO DELGADO: TERRORISM (FROM 2017)

From 2017 onwards, escalating insurgency and terrorism in Cabo Delgado destabilised large parts of northern Mozambique. Attacks on communities and infrastructure led to the displacement of hundreds of thousands of people and significant disruption to local economic activity, especially in resource-rich areas (Chichava, 2020; Feijó & Maquenzi, 2019). For example, one of the consequences was the suspension of TotalEnergies' LNG project in Afungi (Palma district) in March 2021, following a major insurgent attack near the project site. The Total Mozambique LNG project, valued at approximately USD 20 billion, was one of the largest foreign investments and a cornerstone of Mozambique's fiscal and export projections.

The conflict severely strained the government's ability to provide basic services in affected districts. Schools and health facilities were destroyed or rendered inaccessible, leading to lower enrolment and service utilisation rates. Social protection resources were redirected towards emergency assistance for displaced populations, while agricultural activity contracted as farmers fled or fields were abandoned. Clean water and sanitation systems were damaged or fell into disrepair, and power infrastructure expansion was put on hold. Several road and bridge projects were either postponed or destroyed, undermining rural connectivity. The fiscal cost of military operations and humanitarian relief contributed to a further increase in public debt, and delayed progress towards debt reduction targets (AFP, 2021; MEF, 2021; Siúta, 2021, 2023).

In response, the government reallocated budgetary resources from planned development initiatives to security and humanitarian assistance, with supplementary budgets directed to the military and emergency social protection. No significant changes were made to monetary policy, as the central bank focused on maintaining stability, but fiscal deficits widened and sectoral budgets for infrastructure, education, and health suffered further execution shortfalls. Donor engagement in the region became more focused on humanitarian rather than developmental assistance, reducing capital flows to longer-term projects (Anacleto, 2020; Maquenzi & Feijó, 2023).

In general, from 2017 onward, defence spending increased by around 155% and internal security by 93% between 2017 and 2020, amounting to over USD 1.1 billion in unplanned conflict-related outlays. As a share of total government expenditure, defence spending rose from about 2.55% in 2017 to nearly 4% by 2020. A 1 percentage-point increase in the share of the budget allocated to defence corresponded to an estimated 17% reduction in social sector spending. This negative elasticity reflects a fiscal structure where rising security outlays mechanically displaced spending on human capital and basic services.

This reallocation was not simply a response to crisis but part of a broader pattern of executive-led budget centralization during states of emergency. Fiscal decisions during the conflict increasingly bypassed standard parliamentary scrutiny, reflecting the dominance of security and political interests over social welfare imperatives. The state's weak institutional checks allowed rapid re-prioritization without mechanisms to protect social spending.

5.3 CYCLONES IDAI AND KENNETH (2019)

In early 2019, Mozambique was struck by Cyclones Idai and Kenneth in quick succession. The storms caused catastrophic flooding and destruction in central and northern provinces, displacing over two million people and devastating public infrastructure.

The cyclones wreaked havoc across all seven priority sectors. Hundreds of schools and health facilities were destroyed or damaged, impeding service provision for months. Social protection systems struggled to respond to the influx of displaced households, and agricultural production collapsed in the affected areas, contributing to food insecurity. Clean water and sanitation facilities were wiped out, precipitating outbreaks of water-borne diseases, while electrification rates fell as the grid was damaged. Critical road networks were disrupted, hindering aid delivery and the resumption of economic activity. The government had to redirect resources from planned development spending to finance emergency relief and reconstruction, leading to a further increase in public debt, as concessional and emergency loans were secured from international partners (Aparecida de Araújo et al., 2020; UNICEF, 2019).

Mozambique's fiscal response included rapid budget reallocation, approval of supplementary budgets, and mobilisation of external donor assistance. The government suspended or postponed non-essential development projects to prioritise disaster response and recovery. There was little scope for monetary policy intervention, as inflation risked rising due to food shortages, but the central bank monitored exchange rate volatility closely.

5.4 COVID-19 PANDEMIC (2020)

The COVID-19 pandemic struck Mozambique in 2020, prompting an unprecedented public health emergency and economic contraction. Border closures, lockdowns, and global supply chain disruptions undermined trade and tourism, leading to a 1% contraction in real GDP , far below the growth projected in government plans (around 5%). The health sector faced severe strain as resources were redirected to COVID-19 response, disrupting non-COVID health services. School closures affected educational continuity and increased dropout rates, especially among the most vulnerable. Social protection coverage expanded rapidly, but the scale of need outstripped available resources. Agriculture suffered from reduced input supply and limited market access, while investment in water, sanitation, and rural electrification slowed as capital budgets were diverted. Infrastructure projects, especially in roads, were delayed, and government revenue collapsed, leading to an increase in public debt as new loans were contracted to finance emergency measures (Siúta & Matusse, 2021; Siúta & Sambo, 2020).

The government introduced emergency budgets to fund health, social protection, and support to affected businesses. Public investment in some sectors was postponed focusing on crisis response. The central bank temporarily reduced policy rates and provided liquidity support to stabilise the financial system (Sengo et al., 2020). Mozambique accessed international support mechanisms, including the Debt Service Suspension Initiative (DSSI)

and IMF Special Drawing Rights, which provided temporary fiscal relief but increased future debt service obligations. For instance, under the DSSI, agreed with China Eximbank in 2021, Mozambique benefited from the temporary suspension of USD 43.7 million in debt service payments, including USD 40.3 million in principal and USD 3.4 million in interest. The suspension was designed to be net present value (NPV)–neutral, meaning that deferred payments would continue to accrue interest at the original contractual rates. While this measure provided short-term fiscal relief, enabling the government to redirect resources towards health, social protection, and economic recovery measures in response to COVID-19, it did not constitute debt forgiveness[4].

5.5 CYCLONE ELOISE (2021)

Cyclone Eloise made landfall in January 2021, causing extensive flooding and further devastation to central Mozambique, including areas still recovering from previous storms. Once again, schools, health posts, and water systems were destroyed or damaged, setting back progress towards education, health, and WASH (water, sanitation, hygiene) targets. The cyclone compounded agricultural losses and increased pressure on social protection schemes as thousands lost homes and livelihoods. Access to electricity was interrupted as distribution networks were affected, and major roads were rendered impassable, slowing recovery efforts. Emergency borrowing to finance disaster response further raised the public debt stock, and planned sectoral investment was again redirected to short-term needs (ACAPS & OCHA, 2021).

The government implemented supplementary budgets for disaster response, with additional spending focused on humanitarian relief and urgent reconstruction. Reallocation of resources led to under-execution in planned sectoral investments. The central bank maintained a cautious stance, prioritising macro-financial stability. The recurring nature of climate shocks prompted renewed debate on strengthening contingency reserves and climate adaptation measures within the budget framework.

5.6 WAR IN UKRAINE: COMMODITY PRICE AND EXCHANGE RATE SHOCKS (2022)

In 2022, the global spike in commodity prices, exacerbated by the Russia–Ukraine conflict, resulted in a rapid rise in the cost of fuel, food, and other imports. The metical depreciated, and inflation surged to double digits (Artuc et al., 2022). However, despite being an exporter of fossil fuels, Mozambique did not experience a significant increase in fiscal revenues. The are several reasons , for example, i) most gas and coal exports were tied to long-term contracts with fixed or indexed prices, limiting the country's ability to benefit from short-term market spikes; ii) production and export volumes remained below capacity, as the LNG megaproject in Afungi was suspended in 2021 due to the insurgency in Cabo Delgado, and coal exports faced logistical disruptions and high transport costs.

Although nominal allocations to sectors such as health, education, and social protection increased, high inflation eroded their real value. Input costs for agriculture soared, limiting farmers' ability to sustain production. Costs for maintaining and expanding water, electricity, and transport infrastructure also escalated, slowing project execution. The

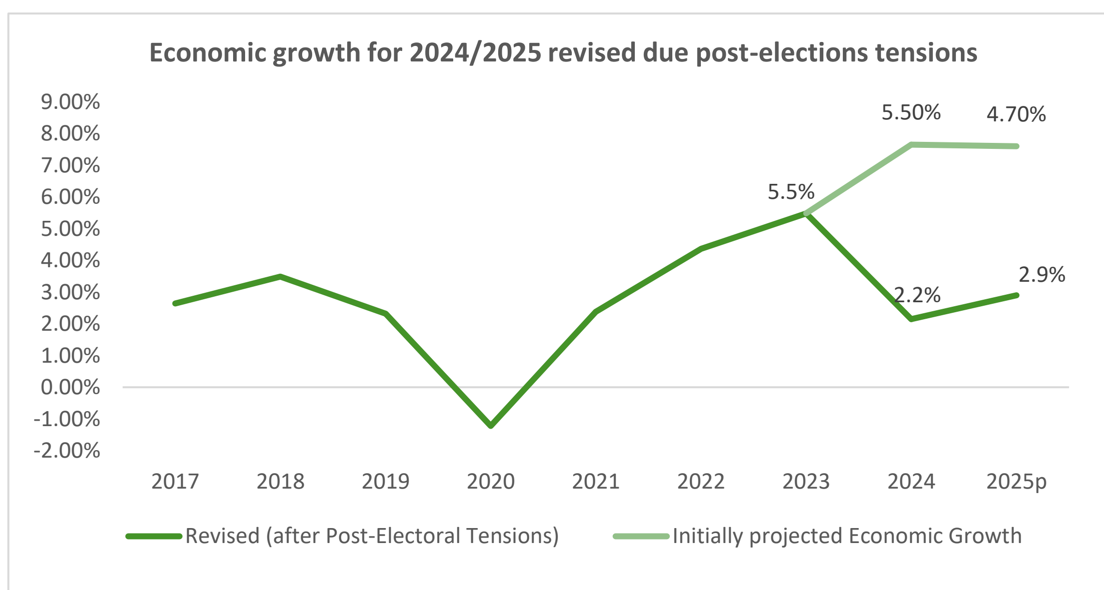
[4] https://china.aiddata.org/projects/95815/

government's subsidy programme for fuel and food aimed to protect households but put additional pressure on public finances. The higher cost of debt servicing, driven by both inflation and exchange rate movements, further strained the fiscal accounts. The government responded with temporary subsidies for fuel and food, and by expanding targeted social protection (GdM, 2022; Siúta, 2022). To address inflation, the Bank of Mozambique raised policy interest rates, despite the risk of further constraining public and private sector borrowing. There was an increased focus on mobilising additional donor resources, but the overall fiscal deficit widened, and sectoral execution continued to lag planned allocations.

5.7 POST-ELECTION POLITICAL TENSION (2024)

A further shock to the economy and public finances came from post-electoral political tension. After the 9 October 2024 general election, opposition parties disputed the results and nationwide protests escalated; police crackdowns and clashes disrupted business activity and even forced temporary closures along key trade corridors, with an IMF official warning that the unrest would hit growth. The chart shows that Mozambique's growth outlook was sharply downgraded after the post-electoral tensions. Until 2023 the economy was recovering steadily (about 5.5% in 2023). Before the unrest, 2024 was expected to accelerate to roughly 5.5%, with 4.7% in 2025. After the tensions, the same years are now put at only 2.2% for 2024 and projected 2.9% for 2025 (INE, 2025)

Figure 1: Economic growth for 2024/2025 revised due post-elections tensions



Source: INE(2024) & MEF (2024)

The gap between spending and revenue widened after the post-election tensions: economic activity slowed, revenues fell by about 10%. As a result, the public-debt stock climbed to 74.2% of GDP, compared with 62.6% in the initial projection, an 11.6 percentage-point slippage in 2024, driven in part by the revenue shortfall that forced greater reliance on domestic borrowing, including to cover wage bills during the months of unrest when the economy was not generating the expected revenue. At the same time, budget execution

declined: after reaching 100% in 2023, execution fell to 89.7% in 2024, undermining delivery in the social sectors (see the table below)

Table 8: Budget versus Execution (2023 to 2024)- in MZN millions (nominal values)

Sectors	2023			2024		
	Planned	Actual	%	Planned	Actual	%
Education	82,808.50	82,790.80	100.0%	100,342.40	87,402.60	87.1%
Health	52,572.40	52,498.20	99.9%	80,720.90	50,692.30	62.8%
Roads	8,289.20	8,289.20	100.0%	13,379.60	11,537.00	86.2%
Water	2,036.00	2,036.00	100.0%	3,382.30	281.80	8.3%
Agriculture & R.Dev.	16,194.70	16,130.40	99.6%	203,274.80	151,678.30	74.6%
Social Protection	8,793.10	8,776.20	99.8%	15,884.40	5,985.50	37.7%
Electricity	1,824.38	1,821.31	99.8%	8,176.89	1,656.25	20.3%
Mean	172,518.28	172,342.11	99.9%	425,161.29	309,233.75	72.7%

Source: General State Account (2024)

The execution in table 8 shows how the post-electoral tension translated into a sudden spending freeze across ministries: compared with near-full execution in 2023 (99.9% across sectors), 2024 execution of the selected sectors was 72.7% percentage points. The steepest collapses are in Water (8.3%, −91.7 pp drop), Electricity (20.3%, −79.5 pp), and Social Protection (37.7%, −62.1 pp). Health also slipped sharply to 62.8% (−37.1 pp), while Roads and Education—though relatively better—still fell to 86.2% (−13.8 pp) and 87.1% (−12.9 pp), respectively. This pattern is typical of a discretionary squeeze under stress: with demonstrations and security incidents disrupting administration and logistics, the treasury prioritizes wages, essentials, and interest payments, while capital-intensive programs and transfers to vulnerable households are deferred, amplifying the social cost of the crisis and widening service gaps into 2025.

5.8 SECTORAL PERFORMANCE VERSUS PLANNED OUTCOMES

Between 2015 and 2023, Mozambique's sectoral budget execution reflected both improvements in public financial management and the country's exposure to major economic and social shocks. In 2015, expenditure execution rates were strong in Education (92%), Health (85%), and especially Social Protection (95%), while Roads (74%) and Water (68%) performed less well. As Mozambique entered a period marked by devastating events , such as the cyclones in 2019 and the COVID-19 pandemic in 2020 , sectoral performance fluctuated in response to fiscal pressures and emergency spending needs.

Table 9: Sectoral performance versus planned outcomes

Data in MZN adjusted to inflation (in MZN millions)							
year	Education	Health	Roads	Water	Agriculture and Rural Development	Social Protection	Electricity
	Planned	Planned	Planned	Planned	Planned	Planned	Planned
2015	59,954.64	28,369.68	26,736.83	4,931.56	17,360.59	5,897.92	1,854.15
2016	57,869.89	30,594.53	19,093.57	9,875.86	16,217.75	4,568.38	1,070.72
2017	58,909.31	26,999.92	12,237.61	3,684.22	15,818.50	4,760.95	874.30
2018	62,219.45	29,697.05	18,827.22	5,665.05	15,966.17	6,859.11	997.15
2019	66,141.90	27,635.50	16,182.40	6,940.70	20,465.80	6,923.30	1,377.65
2020	63,300.91	34,176.92	13,456.21	5,356.99	17,791.22	15,005.48	2,701.56

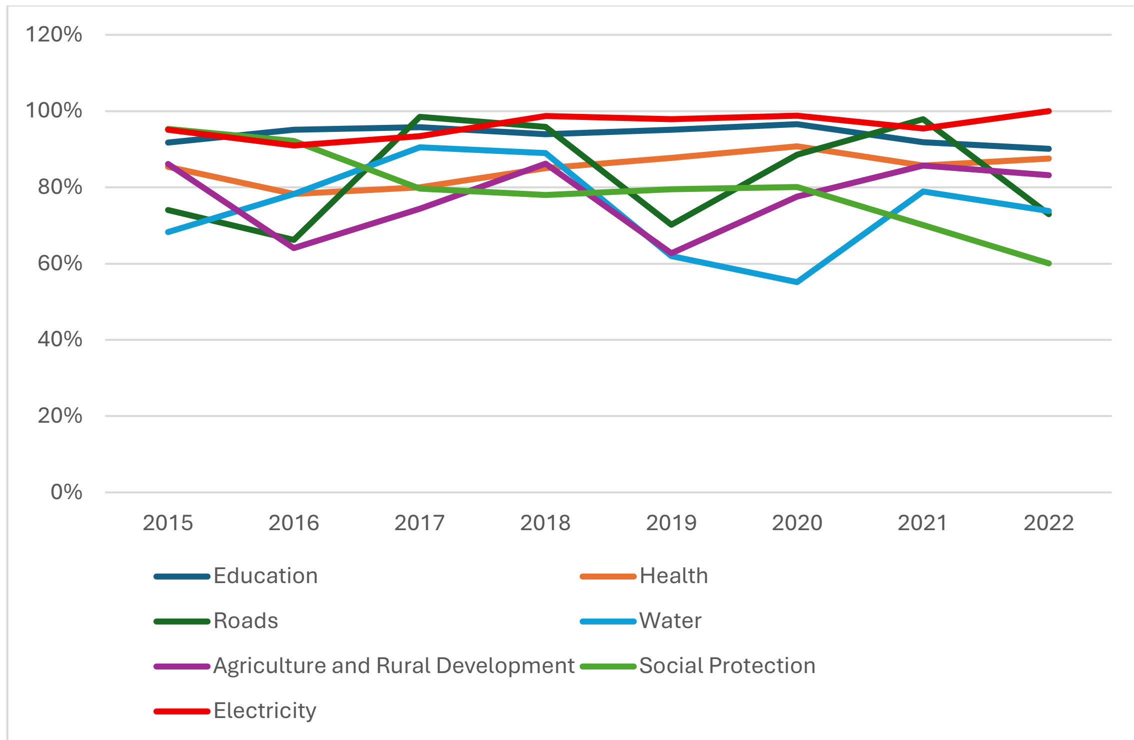
2021	67,202.66	35,633.84	15,130.08	3,629.67	15,740.65	17,968.40	1,471.58
2022	83,131.04	42,288.18	13,791.63	4,692.96	24,580.66	15,952.27	1,897.72
2023	66,791.93	42,404.01	6,685.93	1,642.20	13,062.37	7,092.37	1,471.52
Year	**Education**	**Health**	**Roads**	**Water**	**Agriculture and Rural Development**	**Social Protection**	**Electricity**
	Actual	Actual	Actual	Actual	Actual	Actual	Actual
2015	55,023.08	24,210.66	19,795.31	3,368.32	14,955.47	5,622.51	1,763.27
2016	55,023.04	23,948.56	12,643.76	7,729.41	10,385.85	4,211.61	974.13
2017	56,444.36	21,601.96	12,053.66	3,334.59	11,772.69	3,793.74	816.54
2018	58,451.89	25,247.62	18,051.34	5,040.23	13,766.05	5,348.50	984.24
2019	62,926.80	24,239.50	11,359.20	4,303.00	12,834.90	5,503.90	1,348.38
2020	61,132.19	31,021.40	11,921.01	2,954.49	13,804.95	12,013.67	2,669.81
2021	61,725.25	30,549.13	14,804.87	2,864.65	13,490.37	12,596.58	1,405.07
2022	74,912.37	37,015.55	10,065.82	3,462.09	20,457.61	9,581.78	1,897.72
2023	66,777.66	42,344.16	6,685.93	1,642.20	13,010.51	7,078.73	1,469.04

Year	Education	Health	Roads	Water	Agriculture and Rural Development	Social Protection	Electricity
	Execution	Execution	Execution	Execution	Execution	Execution	Execution
2015	91.77%	85.34%	74.04%	68.30%	86.15%	95.33%	95.10%
2016	95.08%	78.28%	66.22%	78.27%	64.04%	92.19%	90.98%
2017	95.82%	80.01%	98.50%	90.51%	74.42%	79.68%	93.39%
2018	93.94%	85.02%	95.88%	88.97%	86.22%	77.98%	98.71%
2019	95.14%	87.71%	70.19%	62.00%	62.71%	79.50%	97.88%
2020	96.57%	90.77%	88.59%	55.15%	77.59%	80.06%	98.82%
2021	91.85%	85.73%	97.85%	78.92%	85.70%	70.10%	95.48%
2022	90.11%	87.53%	72.98%	73.77%	83.23%	60.07%	100.00%
2023	99.98%	99.86%	100.00%	100.00%	99.60%	99.81%	99.83%

Source: Data from the General State Accounts (2015–2023)

A particularly notable trend occurred in Social Protection. After the onset of the COVID-19 pandemic, the execution rate for Social Protection fell sharply, dropping from 95% in 2015 to just 60% in 2022, reflecting both resource reallocation and weak government capacity to respond to COVID.

Figure 3: Percentage of Public Expenditure Execution Relative to Planned Expenditure, 2015–2023



Source: Data from the State Budget & General State Accounts (2015–2023)

Table 10: Major Shocks and Policy Responses in Mozambique (2015–2023)

Year	Major Shock	Macroeconomic/Fiscal Impact	Fiscal Response	Monetary Response	Most Affected Sectors	Origin: External/Internal	Nature of Shock
2015–16	Hidden debt crisis and suspension of external aid	Currency depreciation, debt increase, budget cuts, loss of external confidence	Budget cuts, suspension of investments, debt renegotiation, austerity	Interest rate hike, monetary tightening, credit restriction	Public finances, investment, social sector	Internal with external repercussions	Economic and political shock
2017	Terrorism in Cabo Delgado	Internal displacement, drop in local production, pressure on local resources	Reallocation of resources to humanitarian response, increased military spending	No significant monetary response	Security, local economy, health	Internal	Human-made shock (armed conflict)
2019	Cyclones Idai and Kenneth	Destruction of infrastructure, agricultural losses	Budget reprogramming, mobilisation of emergency funds, international aid	No significant monetary response	Agriculture, transport, health	External (natural)	Natural disaster
2020	COVID-19 (global pandemic)	Economic recession (-1% GDP), revenue decline, higher social spending	Reallocation to health and social protection, expansion of social programmes, donor mobilisation	Temporary interest rate reduction, liquidity facilitation	Health, education, tourism, fiscal revenues	External	Pandemic shock (health)
2021	Cyclone Eloise	Infrastructure and housing damage, humanitarian needs	Supplementary emergency budget, international support	No significant monetary response	Housing, transport, social protection	External (natural)	Natural disaster
2022	Russia–Ukraine war (global prices)	High inflation (10.3%), spike in fuel and food prices	Temporary subsidies for fuel and food, increased social budget	Interest rate hike to curb inflation	Consumption, fiscal sector	External	Global economic shock
2023	Severe flooding	Property damage, displaced people, increased emergency spending	Boosted emergency budget, international humanitarian aid	No significant monetary response	Infrastructure, agriculture, social protection	External (natural)	Natural disaster

6 IMF TO THE RESCUE?

The IMF loan conditions marked a significant policy shift from Mozambique's previous budgetary approach, fundamentally altering the landscape of fiscal management and public sector governance. The new IMF-supported arrangement, totalling up to US$470 million over three years (2022-2024), restored direct budget support for the first time since the hidden debt crisis of 2016, but only in exchange for rigorous conditions (table 12). These IMF conditions demanded the restoration of fiscal discipline, improvements in debt transparency, and stricter control of wage-related expenditure, as well as enhanced governance of state-owned enterprises (IMF, 2015, 2016, 2024a).

Moreover, the IMF's insistence on fiscal and governance reforms has been echoed by other major development partners, such as the World Bank, which has also made concessional financing conditional of US $300 million[5] upon government reform efforts. Both institutions have required Mozambique to implement a comprehensive reform agenda, focusing on strengthening budget institutions and transparency, improving the business climate (particularly access to finance for the private sector), and upholding commitments related to climate change and sustainable, resilient growth.

6.1 WHY DID MOZAMBIQUE NOT REQUEST DEBT RELIEF?

Despite the critical fiscal pressures in 2022 stemming from the COVID-19 shock and the Russia–Ukraine war, Mozambique did not seek G20 Common Framework (CF) relief when its three-year Extended Credit Facility (ECF, about US$470 million) was approved in 2022. The IMF–World Bank Debt Sustainability Analysis judged the country to be at high risk of debt distress but still "sustainable in a forward-looking sense," owing to expected LNG receipts and a program anchored in fiscal consolidation and concessional financing; in that setting, broad debt treatment was neither required nor consistent within IMF–World Bank framework. The authorities' plan was to borrow externally only on concessional terms and prioritize governance and transparency reforms while treating disputed "hidden-debt" claims separately through courts/settlement rather than a comprehensive CF operation. The CF, by design, focuses on official bilateral claims and obliges the debtor to deliver comparability of treatment to private creditors, steps that were less pertinent to Mozambique's largely concessional external debt mix and could have complicated market relations after the 2019 restructuring of the Eurobond. In short, the DSA's "sustainable with high risk" diagnosis, the concessional-heavy creditor structure, and a program strategy centered on adjustment and targeted dispute resolution made a CF request unnecessary in 2022

[5] https://www.worldbank.org/en/country/mozambique/brief/financial-products

Box 3: Why Mozambique Did Not Request Debt Relief under the 2022 IMF Program

When the IMF Executive Board approved Mozambique's Extended Credit Facility (ECF) on May 9 2022, the country's public and publicly guaranteed (PPG) debt stood at roughly US $14.7 billion, equivalent to 107 % of GDP, with debt service absorbing 7.4% of GDP (World Bank, 2023). Despite rating Mozambique as at high risk of external debt distress, the IMF concluded that debt remained "sustainable on a forward-looking basis" under the assumption that fiscal consolidation would reduce the deficit from –4.8% of GDP (2021) to –3.3% by 2024, and that forthcoming LNG exports (expected to contribute US $3–4 billion per year by 2026) would stabilize the external position (IMF, 2022). Probably for that reason, the authorities and IMF preferred not to request ccc Common Framework (CF) debt relief, opting for a strategy of domestic adjustment and concessional financing.

Moreover, Mozambique's commercial liabilities had already undergone a 2019 market restructuring, converting the defaulted US $726.5 million EMATUM bonds into a US $900 million Eurobond maturing 2031 with a coupon rising from 5 % to 9 %, which delivered roughly US $1 billion in short-term cash-flow relief. At the same time, disputed loans with Credit Suisse/UBS, VTB, and Banco Comercial Português, totalling about US $1.16 billion, were under litigation and these complex restructurings and ongoing court cases made CF participation politically and technically impractical.

However, the IMF's macro-fiscal assumptions proved overly optimistic. Growth averaged only 4.1 % (2022–2023) against the projected 5%, LNG inflows were postponed due to Cabo Delgado security disruptions, and the primary balance target of –0.8 % of GDP by 2024 was missed. Although the debt-to-GDP ratio has been on a downward path during 2021-23, interest payments sharply increased from 2.7 percent of GDP in 2021 to 3.7 percent of GDP in 2023 and reached a peak at 4.2 percent of GDP in 2024. This increase in the debt service burden is explained by the limited availability of concessional external debt financing that forced the central government to rely more heavily on expensive domestic financing to finance fiscal deficits. The share of domestic debt in total central government debt increased from 23.5 percent in 2021 to about 27.5 percent in 2023. (IMF, 2023 Article IV)

In January 2025, government officials publicly acknowledged exploring new debt-restructuring options, an unusual pre-announcement that raised investor concerns; soon after, S&P Global downgraded Mozambique to Selective Default (SD) following a domestic debt-switch program.

In retrospect, the decision not to pursue CF relief in 2022 reflected then-reasonable optimism about LNG prospects and concessional financing, but with slower project execution, persistent security risks, and limited revenue growth, the risk of default is now higher at the end of the IMF program than at its start

6.2 WERE THE IMF'S SOCIAL-SPENDING PROTECTIONS REAL—AND EFFECTIVE?

In terms of sector-specific allocations, the IMF program did embed protection for social spending, but this was operationalized narrowly, through a floor on INAS cash-transfer execution (an indicative target in 2022, strengthened to a Quantitative Performance Criterion in 2024), rather than across-the-board floors for the entire education and health budgets

At approval, the program set an Indicative Target floor on social spending of MT 1.9 billion, defined narrowly as transfers to INAS (social assistance), and authorities reported it was "met by a large margin" in year one, with execution above the MT 1.9 bn floor (1.9 floor vs 2.1 actual). From late-2022 onward, the floor values were stepped up across test dates, the TMU table lists floors ranging from MT 3.8 bn and MT 5.8 bn in 2022 to MT 1.7 bn and MT 3.4 bn in early-2023, and then MT 5.1 bn and MT 6.8 bn later in 2023; the definition remained INAS cash-transfer execution, not the whole education/health budgets.

Program performance then slipped: the IMF's 2024 Article IV/4th Review records that the social-spending floor was missed for the third consecutive review "by a wide margin" and, to strengthen enforcement, converted the floor from an Indicative Target into a formal Quantitative Performance Criterion starting end-June 2024. The same review explains that only two of four Quantitative Performance Criteria were observed and highlights the need to "improve social spending execution" and "protect the most vulnerable."

However, looking across the sector-budget table 11 for the ECF period (2022–2024), the three social sectors moved quite differently. Education outturns were MT 88.2 bn (2022), MT 82.8 bn (2023) and MT 87.4 bn (2024), with execution slipping from 99.9% in 2023 to 87.1% in 2024. Health rose from MT 43.6 bn to MT 52.5 bn in 2023, then eased to MT 50.7 bn in 2024, while execution fell to 62.8%. Social protection contracted steadily—from MT 11.3 bn (2022) to MT 8.8 bn (2023) and MT 6.0 bn (2024)—a decline of roughly 47% from 2022 to 2024, with execution dropping to 37.7% in 2024. This confirms the point made above: because the IMF's social-spending floor tracked INAS cash-transfer execution rather than the entire education and health envelopes, floor compliance (or non-compliance) can diverge from the overall sector budgets, and in 2024 broader social-sector execution weakened markedly amid post-electoral disruptions and cash-rationing."

Table 11: Social Sector Actual Spending (2023-2024) – in MZN millions (nominal values)

	Education	Health	Social Protection	Total
2022	88,200.40	43,581.40	11,281.40	143,063.20
2023	82,790.80	52,498.20	8,776.20	144,065.20
2024	87,402.60	50,692.30	5,985.50	144,080.40

Source: General State Account (2023-2024)

In general, the IMF design reflected a clear intent to shield the most vulnerable, but it did not fully insulate broader sector envelopes, with social-protection outlays contracting sharply. Compared with earlier practice, when fiscal stress often crowded out social items

in favour of wages and debt service, the program did introduce measurable discipline and monitoring; however, the combination of revenue shortfalls, high domestic interest costs, and post-electoral disruptions limited how far that protection translated into aggregate social-sector budgets.

Table 12: Summary of Key Measures– IMF & Government of Mozambique

Categories[6]	Measures	Deadline
Governance and Combating Corruption	Present to Parliament a revised Law on the Prevention and Combating of Money Laundering, Terrorist Financing, and the Financing of the Proliferation of Weapons of Mass Destruction, which updates the current legal framework	End of June 2022
	Submit to Parliament an amendment to the Public Probity Law	End of December 2022
Management of LNG Revenues	Present to Parliament a law on the Sovereign Wealth Fund for LNG revenues	End of December 2022
Fiscal Reforms	Fully implement the elimination of VAT exemptions and zero rates identified through the 2022 prior action	1 January 2023
	Include in the 2023 budget and in all execution documents the limit for public service hiring of one for every three dismissed workers, except in education, health, justice administration, and agriculture sectors	End of December 2022
	Include in the 2024 budget and in all execution documents the limit for public service hiring of one for every three dismissed workers, except in education, health, justice administration, and agriculture sectors	End of December 2023
	Expand implementation of the new e-taxation system (including submission of tax returns and electronic payments) to all taxes and revenue collection units of the fiscal administration	End of December 2022
	Implement the digital interface (Taxpayer Portal) to allow all taxpayers to register and pay all taxes through the portal	End of June 2023
	Eliminate maximum limits on weekly ex-ante commitments for all expenditure units, except for current limits on wages and salaries and on procurement units in the State Budget framework	End of June 2022
	Implement the budget and financial planning tool (annual) and the SISTAFE tool for quarterly financial programming in all spending units	End of December 2022

Source; IMF (2024)

[6] https://cddmoz.org/wp-content/uploads/2020/07/Retoma-do-apoio-do-FMI-e-Banco-Mundial-implica-implementacao-de-um-novo-PRE-na-economia-nacional.pdf

6.3 REVISITING THE IMF'S 2022 ASSUMPTIONS: WHAT HELD, WHAT DIDN'T, AND WHY IT MATTERS

The IMF's macro assumptions in Mozambique's 2022 debt-sustainability analysis (DSA) were broadly reasonable for the moment of approval, built on moderate fiscal consolidation, a gradual decline in debt ratios, and steady real GDP growth supported by LNG revenues, concessional external financing, and governance reforms. Those projections implicitly required a benign external environment and smooth execution at home. In practice, multiple shocks—global terms-of-trade swings linked to the Russia–Ukraine war, tighter global financial conditions, and recurrent domestic setbacks including security incidents and weather-related disruptions, undermined the baseline. The LNG story proved more volatile than hoped (prices, volumes, and timelines), while external financing tightened, and execution risks persisted.

Outturns since then reveal a tougher path than envisaged: growth and revenues were more volatile; inflation pressures from imported food and fuel were higher at times, prompting tighter monetary policy; and financing needs were increasingly covered with costly domestic borrowing, elevating interest costs and slowing debt reduction. These dynamics exposed two limits of the original DSA: (i) sensitivity to optimistic LNG and external-financing assumptions and (ii) underestimation of execution and political-economy risks that can sap budget performance (for example, the post-electoral tensions and cash-rationing that hit sector execution in 2024).

In short, while the 2022 framework was grounded in plausible scenarios, Mozambique's shock-prone environment argues for DSAs that build in larger buffers, sterner downside tests, and explicit contingency plans for social protection and liquidity management, so that reform momentum and service delivery can be sustained even when conditions turn adverse.

Looking at the figures in the table below, the 2022 DSA/ECF macro-framework proved broadly right on near-term growth but too optimistic on fiscal space and 2024 conditions. At approval, real GDP growth was put at 3.8% (2022) and 5.0% (2023); outturns came in a bit stronger, 4.4% and 5.4%, respectively, before the post-election tensions and weaker activity pulled 2024 down to roughly 2.2% (vs mid-year expectations of 4.5%). Fiscal assumptions were tighter than reality in 2022: the primary balance was projected near balance (−0.2% of GDP), but the wage-bill reform and higher interest costs produced an actual −5.2%; by 2023, the balance improved to −0.3% (vs −0.7% projected). Debt dynamics benefited from 2023 growth and a stronger primary position, total public debt fell to 93.9% of GDP (vs 101.4% projected),but the mix worsened as financing shifted to costly domestic paper, lifting the domestic share to 27–32% of GDP and keeping interest burdens high into 2024–25.

Table 13: IMF Projections vs Actual

Indicator	2022		2023		2024	
	Projection	Actual	Projection	Actual	Projection	Actual
Real GDP growth	3.8	4.4	5.0	5.4	8.3	2.2
Primary balance (after grants, % GDP)	−0.2	−5.2	−0.7	−0.3	−0.1	
Tax-to-GDP ratio	21.8	21.8	21.8	24.5	21.8	
Public debt, % GDP						
Total	102.9	100.3	101.4	93.9	97.5	
External	77.6	72.1	75.9	66.4	65.9	
Domestic	25.3	28.2	25.5	27.5	1.6	

Source: IMF (2022 – 2024) & INE (2024)

In general, 2022–23 growth surprised on the upside, yet fiscal/liquidity pressures (and later the 2024 political shock) curtailed the debt-reduction path and left the state relying more on short-tenor, high-yield domestic financing than initially planned, exactly the pattern reflected in the "projection vs. outcome" table.

6.4 IMF CONDITIONS AND A FRAGILE POLITICAL LANDSCAPE: THE CASE OF SINGLE WAGE TABLE (TSU)

Under the IMF's Extended Credit Facility (ECF) agreement beginning in 2022, Mozambique committed to rationalizing its public wage bill via the Single Wage Table (TSU) as a cornerstone reform to enhance fiscal discipline and free up resources for priority social spending. The TSU was intended to unify salary scales, eliminate allowances and irregular compensation, and gradually reduce wage-related expenditure as a share of GDP.

However, the implementation went awry. The IMF initially projected a cost of approximately 19.2 billion meticais (about 1.4% of GDP) over 2022–23. In reality, the reform cost around 28.5 billion meticais (2.1% of GDP), a substantial overshoot that added roughly 0.7 pp of GDP in unplanned spending pressure (IMF, 2022). This fiscal slippage was largely attributed to inaccurate mapping of civil servants into the new scale and insufficient planning, leading to a 36% increase in monthly wage outlays, from 11.6 billion to 15.8 billion meticais

According to IMF (2023), the wage bill overrun in 2022 was only partially offset by lower goods and services spending; still, total current expenditure exceeded projections by about 1% of GDP, and revenue underperformed by approximately 1% of GDP as well. These deviations contributed to the government's failure to meet its social spending floor, undermining the protection of priority sectors and narrowing space for capital and infrastructure investment, even under IMF arrangements designed to protect them.

Rather than delivering fiscal consolidation and social-sector protection, the TSU reform became politically captured: implemented in an election year without full technical groundwork, the ambition to rationalize dominated public discourse while execution lacked

precision. As a result, wage-related recurrent spending ballooned, new fiscal pressures emerged, and social-sector budgets were squeezed. The IMF's standard safeguards and ceilings were overwhelmed by political expediency, illustrating how even well-designed technical reforms can worsen fiscal shocks when political incentives override planning precision.

The TSU did not increase costs because the number of public servants was unknown, but because the transition to the new pay scale was poorly calibrated and implemented in the presence of weak HR and payroll systems. The reform raised salaries more broadly than anticipated, while expected savings from streamlining allowances, controlling hiring, and enforcing wage-bill discipline failed to materialise. As a result, a reform intended to improve predictability and rationalisation generated a significant and front-loaded fiscal overrun.

7 SPENDING HITS THE GROUND

7.1 BUDGET ALLOCATIONS VERSUS ACTUAL SPENDING

An analysis of budget allocations (in USD) versus actual spending across sectors from 2015 to 2023 reveals persistent discrepancies, especially in social sectors. For example, in 2015, actual expenditure on education reached USD 1,045 million compared to the planned USD 1,139 million , representing an execution rate of 92%. In contrast, water, despite being allocated USD 94 million in 2015, only achieved USD 64 million in actual spending, or about 68% execution. These trends persisted in later years, with execution rates in education and health consistently exceeding 85%, while water sector's execution dropped as low as 55% immediately after the COVID-19 pandemic (2020). The government's effort to target social spending towards the poor is reflected in the gradual increase in actual spending in social protection, which reached a high of USD 207 million in 2021 before falling again to USD 94 million in 2024. This marked difference can be partly explained by the COVID-19 shock. In 2020 and 2021, several development partners supported emergency programmes implemented within the social protection framework. At the same time, the government reduced the share of social protection spending financed from domestic revenues. As emergency support was gradually withdrawn with the easing of the pandemic, social protection programmes were left with even fewer resources, reflecting both declining external financing and the earlier contraction of domestically funded budget allocations.

Table 14: Sectoral performance versus planned outcomes (in USD)

Data converted to USD (millions)							
year	Education	Health	Roads	Water	Agriculture and R.Development	Social Protection	Electricity
	Planned	Planned	Planned	Planned	Planned	Planned	Planned
2015	1139.58	539.23	508.20	93.74	329.98	112.10	35.24
2016	782.27	413.57	258.10	133.50	219.23	61.75	14.47
2017	852.71	390.82	177.14	53.33	228.97	68.91	12.66
2018	985.29	470.28	298.14	89.71	252.84	108.62	15.79
2019	1057.45	441.83	258.72	110.97	327.20	110.69	22.03
2020	940.17	507.61	199.86	79.56	264.24	222.87	40.12
2021	1107.30	587.14	249.30	59.81	259.36	296.07	24.25
2022	1532.90	779.78	254.31	86.54	453.26	294.15	34.99
2023	1296.20	822.91	129.75	31.87	253.49	137.64	28.56
2024	1570.18	1263.14	209.37	52.93	3180.89	248.56	127.95

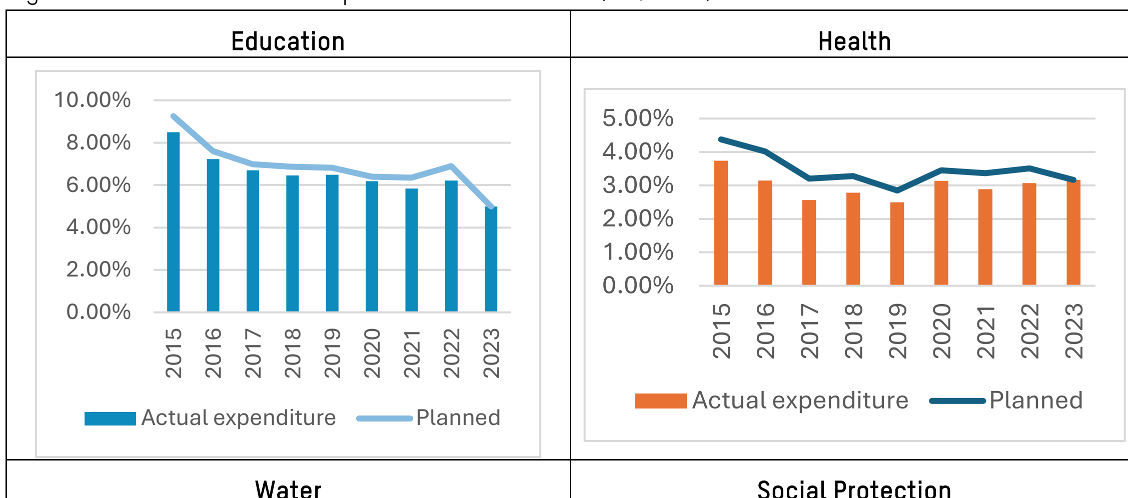
Year	Education	Health	Roads	Water	Agriculture and R. Development	Social Protection	Electricity
	Actual	Actual	Actual	Actual	Actual	Actual	Actual
2015	1045.85	460.18	376.26	64.02	284.26	106.87	33.52
2016	743.79	323.73	170.92	104.48	140.39	56.93	13.17
2017	817.03	312.69	174.48	48.27	170.41	54.91	11.82
2018	925.63	399.82	285.86	79.82	218.00	84.70	15.59
2019	1006.05	387.53	181.61	68.79	205.20	87.99	21.56
2020	907.96	460.74	177.05	43.88	205.04	178.43	39.65
2021	1017.05	503.36	243.94	47.20	222.28	207.55	23.15
2022	1381.35	682.55	185.61	63.84	377.23	176.68	34.99
2023	1295.92	821.75	129.75	31.87	252.49	137.37	28.51
2024	1367.70	793.24	180.53	4.41	2373.50	93.66	25.92

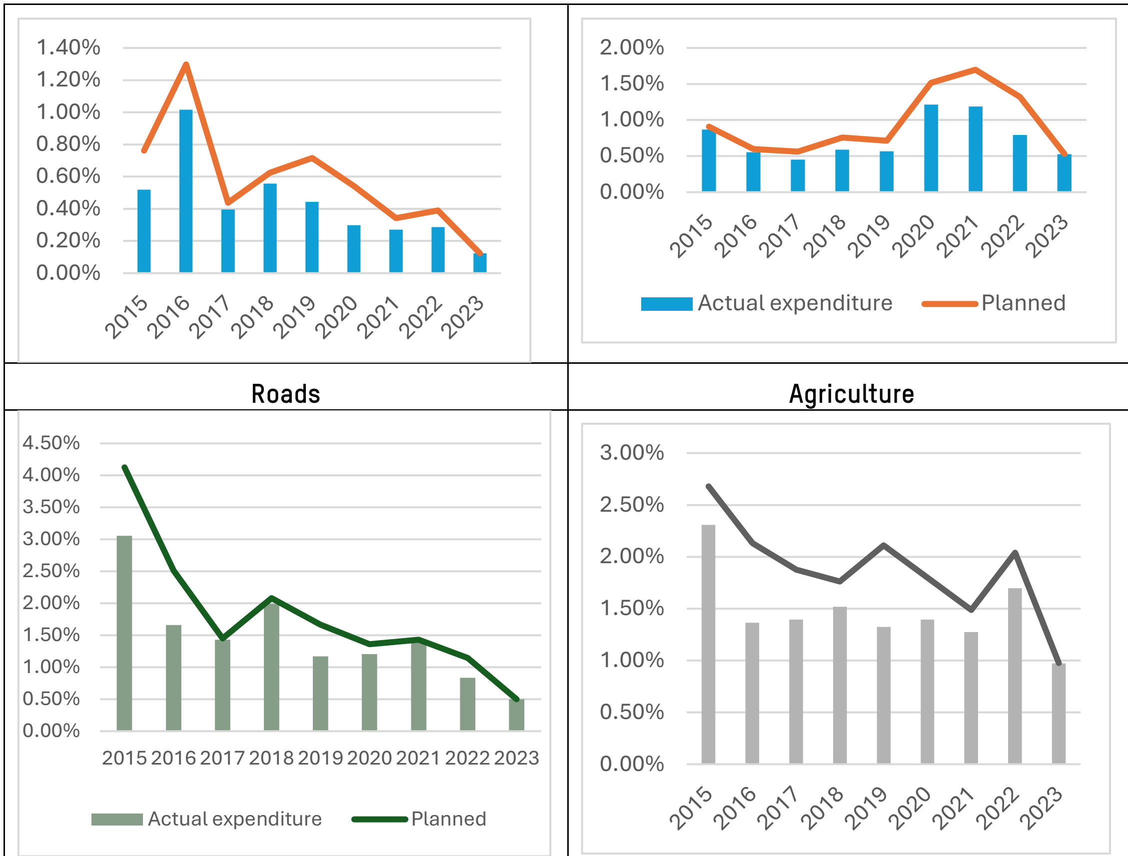
Year	Education	Health	Roads	Water	Agriculture and Rural Development	Social Protection	Electricity
	Execution	Execution	Execution	Execution	Execution	Execution	Execution
2015	91.77%	85.34%	74.04%	68.30%	86.15%	95.33%	95.10%
2016	95.08%	78.28%	66.22%	78.27%	64.04%	92.19%	90.98%
2017	95.82%	80.01%	98.50%	90.51%	74.42%	79.68%	93.39%
2018	93.94%	85.02%	95.88%	88.97%	86.22%	77.98%	98.71%
2019	95.14%	87.71%	70.19%	62.00%	62.71%	79.50%	97.88%
2020	96.57%	90.77%	88.59%	55.15%	77.59%	80.06%	98.82%
2021	91.85%	85.73%	97.85%	78.92%	85.70%	70.10%	95.48%
2022	90.11%	87.53%	72.98%	73.77%	83.23%	60.07%	100.00%
2023	99.98%	99.86%	100.00%	100.00%	99.60%	99.81%	99.83%
2024	87.10%	62.80%	86.23%	8.33%	74.62%	37.68%	20.26%

Source: Data from the General State Accounts (2015–2023) converted to USD (2015: 39.98; 2016:63.06; 2017: 63.58; 2018: 60.33; 2019: 62.55; 2020: 69.47; 2021: 65.47; 2022: 63.85; 2023: 63.89; 2024: 63.91) - World Bank Data

Metrics of efficiency and government performance include the proportion of allocated budgets actually executed, improvements in sectoral outcomes such as enrolment rates, health coverage, and access to clean water, and the targeting of benefits to the most vulnerable. For instance, the expansion of primary school completion rates and the scale-up of basic social protection coverage, from 9% of poor families in 2015 to a targeted 75% by 2030, serve as key efficiency metrics. However, efficiency remains constrained in sectors like water and electricity, where low and fluctuating execution rates (e.g., actual water sector spending varying between 34% and 68% of planned amounts) reflect challenges in both resource absorption and programme targeting, highlighting the need for strengthened public financial management and a sharper focus on reaching the most disadvantaged populations.

Figure 3: Planned vs actual expenditures 2015-2023 (in % GDP)





Source: Data from the General State Accounts (2015–2023)

The discrepancies between budget allocations and actual expenditure in Mozambique are largely driven by a combination of structural rigidity in public spending, inadequate budget planning and monitoring, and persistent violations of the national budgetary framework (SISTAFE). The IMF emphasises that the rapid growth of the public wage bill , which absorbs approximately 73% of domestic revenue, restricts fiscal space for capital investments and essential services. Additionally, the Mozambican Administrative Court (tribunal administrative) identified repeated instances of non-compliance with SISTAFE requirements, notably the failure to submit supplementary budgets when spending limits were exceeded, and modifications in the budget priorities without parliamentary approval. Such practices not only undermine fiscal discipline but also distort resource allocation, causing underfunding of sectors such as social protection, agriculture, water, sanitation, roads, and electricity, despite initial commitments.

From 2015 to 2018, social spending in Mozambique nominally targeted at poor and vulnerable populations, but practical execution and targeting effectiveness remain limited. Despite clear governmental objectives, such as extending social protection coverage from 9% in 2015 to 75% by 2030, execution has consistently fallen short of planned allocations. For instance, budget execution in social protection dropped dramatically from 95% in 2015 to 60% in 2022, reflecting an inability to deliver planned support effectively following major shocks, including COVID-19. While programmes are designed to reach disadvantaged groups, institutional weaknesses, lack of accountability, inadequate monitoring, and budgetary pressures from non-discretionary expenses such as salaries severely constrain the effectiveness and equity of actual social spending.

Table 6: Sectoral performance - progress and achievement of Key Sectoral Indicators (2015–2018) Compared to 2019 Targets

Indicator	Baseline 2014	Target 2019	2015	2016	2017	2018	2015-18 Achievement (%)
Net enrolment rate in 1st-7th grade (%)	81.50%	86.90%	83.90%	84.40%	91.30%	93.10%	259%
Completion rate of EP7 (%)	44%	54%	53%	37%	44.50%	44.50%	4%
Number of students in technical-vocational education	42,000	65,000	67,103	76,193	76,913	91,615	219%
Number of primary school teachers recruited	32,000	15,000	12,171	12,596	15,298	44,527	129%
Number of desks distributed	200,000	700,000	113,304	37,671	62,249	136,052	54%
Institutional delivery coverage rate (%)	71%	75%	75%	77%	83%	87%	400%
Full vaccination coverage of children (%)	82%	94%	83%	87%	89%	94%	100%
Treatment rate for water-induced diarrhoea in under 5 (%)	60%	80%	70%	72%	81%	84%	120%
Health professionals per 100,000 inhabitants	94	113.3	98.8	104	106.6	110.1	83%
HIV treatment coverage for pregnant women (%)	86%	90%	82%	91%	100%	87%	25%
Rural population with access to safe water (%)	52%	75%	38%	40%	50%	45%	45%
Urban population with access to safe water (%)	85%	90%	83%	84%	86%	78%	78%
Rural population with access to adequate sanitation (%)	24%	60%	21%	24%	28%	30%	37%
Urban population with access to adequate sanitation (%)	50%	80%	46%	47%	52%	58%	30%

Source: Data from the Economic and Social Plan Report (2015–2019)

From 2019 to 2024, Mozambique's social outcomes show a two-speed picture in 2024: several health targets were met or exceeded, while education quality/capacity indicators and social protection coverage deteriorated alongside the broader execution squeeze you documented for 2024. In education, access at entry remains high (net enrolment of 6-year-olds at 98.7%, above the 98% target), yet service quality is under strain: the student–teacher ratio worsened to 68.1 (target 55), the secondary student, classroom ratio stayed high at 67 (target 55), textbook distribution reached only 42.6% of the 2024 target (9.6m vs 22.5m), and the lower-secondary completion rate fell from 43.4% (2023) to 29.9% (2024). These shortfalls are consistent with the fall in execution you reported, education execution dropping from 99.98% (2023) to 87.1% (2024), which likely delayed inputs (books, classrooms) and softened completion gains even as access at grade 1 held up.

In health, core service delivery held up better despite fiscal headwinds: institutional deliveries hit 100% of target, insecticide-treated net distribution reached 109%, and the composite "child health/quality-of-life" result reached 110%. But programmatic gaps remain: the malaria prevention intervention line (PIDOM/REMILDs) achieved just 6% of target, and the NCD share stayed at 30% against a 24% goal, pointing to unfinished agenda items beyond maternal and child health.

Persistent structural constraints in human resources also remain, with shortages of teachers and health professionals. For example, the primary pupil, teacher ratio remains above 50 pupils per teacher throughout the period, fluctuating between about 52.4 in 2017 and 55.3 in 2018, and standing at 53.6 in 2016 (World Bank 2025). These levels are well above internationally recommended standards and point to chronic teacher shortages at the primary level. At the secondary level, ratios were also high, reaching around 39.7 pupils per teacher in 2015 and remaining elevated thereafter. While ratios in tertiary education were much lower (around 14–15 students per lecturer in 2017–2018), pressure at the lower levels, where enrolment is largest,continues to constrain service quality. In health, Mozambique continues to exhibit a very low density of physicians, at fewer than 1 doctor per 10,000 people, implying heavy patient loads per professional and limiting the expansion and quality of services, particularly beyond maternal and child health. For example, in 2022 Mozambique had 2,473 physicians, of whom only 778 were specialists, serving a population of more than 30 million people, according to the latest available data. This corresponds to a density of about 0.8 doctors per 10,000 inhabitants (World Health Organization 2022)[7].

In general, the table 13 confirms the pattern seen in the budgets: health maintained key outputs, education capacity strained, and social protection coverage shrank sharply, a result of the 2024 execution crunch and the design limits of the social-spending floor.

Table 7: Sectoral performance - progress and achievement of Key Sectoral Indicators (2019–2024) Compared to 2024 Targets

Area	Indicator	Baseline 2019	Target 2024	Achieved in 2023	Real 2024	Achievement Rate (%)
Education	Net enrolment rate of 6-year-olds in 1st grade	93.5%	98%	98.3%	98.7%	**98.7%**
	Student–teacher ratio	65	55	63	68.1	**68.1%**
	Participation rate of non-literate adults (15+) in adult education programmes	5%	10%	4.3%	3%	**29.9%**
	Gross completion rate of lower secondary education (1st cycle)	15%	35%	43.4%	29.9%	**29.9%**
	Number of textbooks distributed	13,344,443	22,491,500	20,082,307	9,587,589	**42.6%**
	Student–classroom ratio (secondary)	65	55	63	67	**67%**
	Number of school desks distributed	268,927	11,300	29,639	38,353	**100%**
	Number of classrooms built (primary education)	614	773	1,351	397	**51.4%**
Health	Percentage of institutional deliveries	87%	91%	91%	93%	**100%**

[7] https://www.afro.who.int/pt/countries/mozambique/news/oms-apoia-formacao-de-futuros-medicos-em-mocambique

	Malaria morbidity–mortality reduction through preventive measures (PIDOM and REMILDs)	12,576,979	4,831,000	5,457,839	276,519	**6%**
	Number of preventive methods (mosquito nets) distributed	1,576,187	1,612,354	1,516,273	1,754,862	**109%**
	Health and quality of life improvement among children under five	96%	92%	101%	110%	**110%**
	Proportion of non-communicable diseases (NCDs)	30%	24%	29%	30%	**77%**
Gender and Social Action	Percentage of victims of violence with access to integrated support services	10%	60%	22% (3,351 cases)	4,345	**130%**
	Percentage of children living in poverty receiving at least three basic services	5%	10%	7.5%	150,817	**111%**
	Percentage of people below the poverty line benefiting from social protection programmes	22%	28%	24.8% (547,379 beneficiaries)	218,287	**21%**
	Percentage of children aged 0–5 years covered by pre-school education	2%	10%	2.1% (100,610 children)	142,257	**117%**

Source: MEF (2025)

Box 4. Efficiency and Targeting of Social Spending (Key highlights from interviews)

1. **Critical Deficit in Transparency and Accountability**: Mozambique scores only 47/100 on the budget transparency index[8], falling short of international standards. The recent decline in the 2023 Open Budget ranking reflects delays in publishing documents, the absence of editable formats, limited information on state-owned enterprise debt and government guarantees, and the slow implementation of audit recommendations. Accountability is weak, particularly in cases of mismanagement involving senior officials, which fosters an environment of impunity and erodes public trust.

2. **Limited and Formalistic Civil Society Participation**: With a score of just 15/100 on the public participation index[9], Mozambique ranks among the lowest globally in terms of civil society engagement in fiscal policymaking. Consultations are held late and primarily for formalisation, with deadlines too short to allow for meaningful contributions. Participation is also concentrated in urban areas, excluding provincial and district voices, thereby undermining representativeness and the inclusion of the communities most affected.

3. **Chronic Underfunding of Social Sectors**: Less than 30% of the national budget is allocated to education, health, and social protection. Education receives 17% (excluding debt), below the Dakar commitment of 20%. Spending is heavily skewed towards recurrent costs (87%) compared with investment (13%), with execution rates in investment below 50%. This imbalance constrains the expansion and quality of service delivery.

4. **Excessive Dependence on External Financing**: Key sectors, particularly education, rely almost entirely on donor funding, 98% of investment is externally sourced, notably through FASE. This dependency exposes the sector to shifts in donor priorities,

[8] https://internationalbudget.org/open-budget-survey/country-results/2023/mozambique

[9] https://internationalbudget.org/sites/default/files/country-surveys-pdfs/2023/open-budget-survey-mozambique-2023-en.pdf

undermines national autonomy, and perpetuates a cycle of aid reliance and weak mobilisation of domestic resources.

5. **Systemic Vulnerability to External Shocks**: Fiscal strategy is frequently disrupted by external shocks, while limited fiscal space reduces the scope for counter-cyclical responses. The country alternates between growth, stagnation, and fiscal crises, pressured by rising wage demands, institutional tensions, exchange rate volatility, foreign exchange shortages, and climate shocks. The narrowing fiscal space increasingly forces austerity measures at times of greatest social need.

Key Issue	Findings	Implications
Lack of earmarking	No tax policy provisions allocating a percentage of revenues to SDGs	Weakens domestic financing capacity
Dependence on external support	Implementation of SDGs relies heavily on foreign financial and technical aid	Creates vulnerability to changes in donor priorities
National ownership	Limited capacity to set autonomous priorities and strategies	Reduced national control over development processes
Sustainability	Programmes highly exposed to donor withdrawal or reorientation	Risks to continuity and predictability of public policies

8 CONCLUSION

The evidence presented in this report indicates that Mozambique's progress in aligning fiscal policy and public investment with national development priorities and international commitments has been constrained by persistent institutional and macroeconomic challenges. A comprehensive review of Mozambique's debt and budgetary data reveals a trajectory marked by high volatility. Public debt surged from sustainable levels to over 100% of GDP following the hidden debt scandal, while domestic borrowing increased to offset the collapse in external concessional financing. This debt expansion structurally crowded out development spending: for every 10% percentage point increase in the ratio of external debt service to priority sector spending, investment in those sectors fell by an estimated range from 0,7% to 1.8%, illustrating the steep elasticity of fiscal crowding-out.

The impact of external shocks such as tropical cyclones, the COVID-19 pandemic, the Cabo Delgado insurgency, and the Ukraine war further eroded Mozambique's fiscal buffers and prompted repeated reallocations of resources away from planned development toward emergency relief, defence, and wage payments. These shocks not only increased debt burdens but also destabilized the allocation logic of the budget, with basic service provision increasingly undermined by macro-fiscal pressures.

A sectoral analysis of health, education, social protection, agriculture, and infrastructure reveals a recurrent pattern: while planned allocations often aligned with SDG targets and national development strategies, actual spending frequently fell 10–30% short due to execution shortfalls, off-budget reallocations, and absorptive capacity issues. For example, the execution rate in social protection dropped from 95% in 2015 to 60% in 2022, despite stated intentions to expand coverage to 75% of poor households by 2030.

The study also finds that IMF-supported programmes, while introducing critical benchmarks for fiscal transparency and social spending floors, often underestimated the political economy constraints to implementation. Reforms such as the TSU wage reform were captured by electoral incentives and rolled out without adequate cost control, thus

undermining their intended fiscal consolidation impact. Similarly, while the IMF sought to safeguard social spending, real allocations were often eroded by inflation, rising debt service, and over-execution of politically sensitive items.

The political economy of budget allocation in Mozambique remains dominated by executive discretion, limited parliamentary oversight, and weak institutional safeguards. Reallocations, particularly during emergencies, often bypass formal legislative procedures, and donor conditions, though influential, are frequently subordinated to domestic political calculus. This undermines both the allocative efficiency and the equity of public spending, with vulnerable populations bearing the brunt of adjustment.

In general, Mozambique's case demonstrates that the interplay between debt and public investment is not merely a matter of technical efficiency, but also of political incentives, institutional constraints, and external vulnerability. Ensuring financial stability and development progress under such conditions requires not only better debt management and expenditure control but also political will to prioritize citizens over creditors, strengthen budget transparency, and institutionalize protections for social investment in the face of shocks. Without these reforms, the risk remains high that future fiscal crises will once again be resolved at the expense of long-term development.

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10.1 APPENDIX 1 - KEY STAKE HOLDERS AND RELEVANT QUESTIONS

Section	Evaluation Question	Measures / Indicators	Data Sources	Method - Data Collection	Stakeholders / Informants	Analysis and Assessment
Section 1: Ambition	How do the plan(s) relate to needs as expressed in the Sustainable Development Goals and climate goals, in terms of both cost and expected outcomes?	- Macroeconomic and non-economic goals in national plans - SDGs and climate targets reflected in plans	- ENDE (National Development Strategy) 2015-2035 - PQG (Government Five-Year Plan) 2015-2024 - Agenda 2030 (SDGs) - Paris Agreement reports	Desk and online research	Ministry of Finance (MF), Ministry of Planning and Development (MPD), UNDP, UNICEF	Qualitative comparison and coherence assessment
	What were the plan(s)' assumptions about financing sources (debt levels, new borrowing, composition, grants)?	- Financing assumptions - Debt stock and composition	- Public Debt Bulletin - IMF/World Bank Debt Sustainability Analysis - ENDE, PQG	Desk and online research	MF (National Directorate of Treasury), IMF, World Bank	Trend analysis of debt; Composition analysis
	What were the plan(s)' key macro-economic assumptions relevant to debt sustainability?	- GDP growth, inflation, revenue forecasts, exchange rate, interest rate assumptions	- PQG, Sectoral Strategies - IMF Extended Credit Facility programme documents - World Bank Development Policy Operations (DPO)	Desk and online research	MF, IMF, World Bank	Qualitative and trend comparison analysis
	Why did the multi-annual plans fall short	- Gaps between planned needs and available financing	- PQG, State Budgets	Desk review and interviews	MF, National Assembly (Planning and Budget	Political economy analysis and qualitative synthesis

	of needs (curtailment of ambition)?	- Political economy constraints	- UNDP/World Bank Reports		Committee), Civil Society (GMD, ROSC)	
Section 2: Shocks	How did the economy perform compared to the plan(s) of Section 1?	- Real GDP growth, sectoral performance	- Annual Economic Reports	Desk and online research	MF, Bank of Mozambique, INE (National Institute of Statistics(	Budget variance analysis; qualitative analysis
		- External sector metrics	- General State Account			
		- Fiscal outcomes	- Bank of Mozambique (Economic Bulletin)			
	Which shocks occurred since 2020 and when?	- Number and severity of shocks (climate events, COVID-19, geopolitical crises)	- Budget Strategy Documents	Desk research and Key Informant Interviews (KII)	MF (Debt and Aid Division), INGD, UN agencies	Synthesis analysis; Borrowing analysis
		- Emergency borrowing	- UN Reports (FAO, WFP)			
		- External relief received	- Climate databases (NOAA)			
	What were the main fiscal measures taken in response to these shocks since 2020?	- Budget reallocations	- Supplementary Budget Documents	Desk review and KII	MF, Budget Division, Parliament	Qualitative policy response analysis
		- Emergency funding mechanisms	- Public Debt Reports			
Section 3: IMF to the rescue?	How do the IMF loan conditions compare to the government's original budget plans?	- Changes to fiscal frameworks	- Extended Credit Facility (ECF) Agreements	Desk review and KII	IMF, MF, Parliamentary Finance Committee, Donor Forum	Comparative policy analysis; Assessment of adherence to social spending floors
		- Adoption of reforms	- GoM Debt Management Strategy			
		- Protection of social spending	- PQG & Budget documents			
	How hard did the government fight to protect or expand SDG spending?	- Social sector allocation trends post-ECF	- Budget Statements	Desk review and interviews	MF, UNDP, UNICEF, Save the Children	Qualitative and quantitative assessment
			- IMF Monitoring Reports			
	With hindsight, how realistic were IMF's	- Deviations between projections and actuals	- Debt Sustainability Analyses (DSA)	Desk review	IMF, MF	Trend deviation and variance analysis

	macroeconomic assumptions?		- Annual Economic Reports			
	Why does the government not seek debt relief under the Common Framework?	- Negotiation strategies	- Public Debt Bulletins	Desk review and KII	MF, Bank of Mozambique, Ministry of Foreign Affairs	Political economy analysis and thematic triangulation
		- Political economy constraints	- Official negotiation documents			
Section 4: Spending hits the ground	What explains discrepancies between budget allocations and actual spending in each sector?	- Execution rates	- Budget Execution Reports	Desk review and KII	MF (Budget Directorate), Ministry of Education and Health	Variance analysis; Absorption capacity analysis
		- Funding shortfalls	- Audit Reports (Administrative Court)			
	To what extent are social spending programmes targeted at the poor?	- Programme allocations	- Sectoral Budgets	Desk review and interviews	Ministry of Gender, Children and Social Action, UNICEF, Oxfam	Equity analysis; Adequacy and prioritisation analysis
		- Regional equity analysis	- Social Protection Strategy Documents			
	What are common metrics of efficiency and government performance?	- Outputs per unit of resource	- Sectoral Performance Reports	Desk review	Ministries of Education, Health, Social Protection	Benchmarking and comparative analysis
		- Unit costs benchmarking	- UNICEF, World Bank sector reports			

10.2 APPENDIX 2 - DATA COLLECTION TOOL

Introduction

This interview guideline has been prepared as part of the study "The Interplay between Debt Influence and Public Investment Decisions in Mozambique", commissioned by Oxfam. It contributes to the broader regional report "From Aspirations to Reality", which compares fiscal strategies in Mozambique, Zimbabwe, and Malawi. The study aims to understand how public debt levels, domestic political dynamics, and engagement with the IMF influence public investment decisions and debt restructuring processes, and how these ultimately affect economic stability, growth, and progress towards the Sustainable Development Goals (SDGs).

In the Mozambican context, the research specifically examines how fiscal strategies and public debt management have evolved in response to external shocks such as climate-related disasters, the COVID-19 pandemic, and global inflationary pressures. The study is guided by five core objectives: analysing debt and investment trends (2015–2024), assessing the impact of shocks on fiscal policy, evaluating the efficiency of public investment in key sectors, exploring the political economy shaping fiscal decisions, and identifying lessons through cross-country comparison.

The interview questions are systematically aligned with the analytical outline of the final report, covering four key areas: the ambition of multi-year plans, the impact of external shocks, the role of the IMF and debt restructuring, and the execution and efficiency of public spending. Each question corresponds to specific evaluation points to ensure consistency and enable structured analysis across different stakeholders and countries involved in the broader study. Beyond gathering technical information, the interviews also seek to probe the interests, motivations, and perceptions of respondents and their organisations. Understanding these underlying factors is crucial for informing the political economy analysis.

We sincerely thank you for your availability and willingness to participate in this interview. Your insights are invaluable to the success of this study. Interviewers are encouraged to not only collect technical information but also explore how fiscal decisions are prioritised, how international partnerships influence policy choices, and how different actors perceive the trade-offs between economic management, debt sustainability, and the delivery of essential public services. Your reflections will contribute significantly to a deeper understanding of the political economy dynamics shaping fiscal strategies and public investment decisions in Mozambique

Guide Questions	**Relevant Topic**	**Related Section / Evaluation Question**
Ministry of Finance (MF)		
What are the main criteria used to determine public spending priorities under fiscal	Policy and Strategic Focus	Section 1: Ambition – How do the plan(s) relate to SDG and climate needs?

constraints and in alignment with SDG targets?		
How has the government adjusted its fiscal strategy and debt management approach in response to external shocks?	Fiscal Impact of Shocks	Section 2: Shocks – Main fiscal measures taken in response to shocks
What impacts have these shocks had on revenue collection, fiscal space, and the structure of current and capital expenditure?	Fiscal Impact of Shocks	Section 2: Shocks – How did the economy perform compared to the plan(s)?
What are the main challenges in managing domestic and external public debt?	IMF and Debt Relief – Debt and Aid	Section 3: IMF to the rescue? – Debt management challenges
Are mechanisms in place to monitor debt sustainability following shocks?	IMF and Debt Relief – Debt and Aid	Section 3: IMF to the rescue? – How realistic were IMF macro assumptions?
How have commitments with international partners influenced fiscal consolidation and spending strategies?	IMF and Debt Relief – Debt and Aid	Section 3: IMF to the rescue? – How do IMF conditions compare to budget plans?
How has public investment (restricted to capital expenditure) been affected in terms of volume, sectoral priorities, and project execution?	Alignment of Budget to Multi-year Plans – Budget Director / Economic Affairs	Section 1: Ambition – Multi-annual plans and financing assumptions
Ministry of Planning and Development (MPD) Note: Until 2024, the responsibilities for macroeconomic management, development planning, and public finance administration in Mozambique were consolidated within a single institution — the Ministry of Economy and Finance (MEF). During this period, the MEF was responsible for fiscal policy formulation, budget programming, public debt management, strategic development planning (including oversight of the PQG and ENDE), and coordination of international economic cooperation. Following the 2024 general election and 2025 government restructuring, these functions were divided, leading to the creation of the Ministry of Planning and Development (MPD) as an independent body. The MPD now focuses on the coordination of long-term development planning and strategic investment management within frameworks such as the ENDE 2024–2044, while the Ministry of Finance retains responsibility for fiscal policy, budget execution, public debt management, and revenue mobilisation		
How does the Ministry envisage the alignment of fiscal frameworks within the previous (2015-2035) and new (2024-2044) National Development strategy objectives?	Alignment of Budget to Multi-year Plans – Budget Director / Economic Affairs	Section 1: Ambition – multi-annual plans assumptions
What strategies are planned to ensure that capital investments are resilient to climatic shocks?	Policy and Strategic Focus	Section 1: Ambition – How do the plan(s) relate to SDG and climate needs?

How does the MPD intend to coordinate with other ministries for planning and implementation?	Policy and Strategic Focus	Section 1: Ambition – Why did multi-annual plans fall short?
What mechanisms are being developed to integrate climate risk assessments into investment priorities?	Policy and Strategic Focus	Section 1: Ambition – How do the plan(s) relate to SDG and climate needs?
How will the Ministry monitor and evaluate progress towards ENDE targets?	Relevance of Multi-year Plans	Section 1: Ambition – How do the plan(s) relate to SDG and climate needs?
To what extent does the ENDE consider innovative financing mechanisms?	Policy and Strategic Focus	Section 1: Ambition – Multi-annual plans assumptions
Ministry of Health		
How have external shocks impacted financial resources in the health sector?	Impact of Shocks	Section 2: Shocks – How did the economy perform compared to the plan(s)?
Were budget reallocations mainly affecting operational spending or capital investments?	Fiscal Impact of Shocks	Section 2: Shocks – Main fiscal measures taken in response to shocks
How have investments/ government spending supported emergency response capacity?	Sector Funding and Support	Section 4: Spending hits the ground – Efficiency and outputs
Have current funding levels been adequate to meet critical needs and SDG 3 targets?	Sector Funding and Support	Section 4: Spending hits the ground – Targeting social spending
Which programmes are directly linked to SDG 3, and are resources sufficient?	Sector Funding and Support	Section 4: Spending hits the ground – Targeting social spending
Ministry of Education and Culture		
How have economic and social shocks affected education sector funding?	Impact of Shocks	Section 2: Shocks – How did the economy perform compared to the plan(s)?
Were education programmes restructured, delayed, or cancelled?	Fiscal Impact of Shocks	Section 2: Shocks – Main fiscal measures taken
Are there contingency mechanisms for educational continuity during crises?	Sectoral Support	Section 4: Spending hits the ground – Targeting social spending
How have climatic shocks impacted infrastructure and capacity?	Impact of Shocks	Section 2: Shocks – Which shocks occurred and their impacts

What mechanisms exist for financing educational recovery after disasters?	Sectoral Support	Section 4: Spending hits the ground – Targeting social spending
What challenges persist for achieving SDG 4?	Sector Funding and Support	Section 4: Spending hits the ground – Targeting social spending
Ministry of Gender, Children and Social Action		
What role has the social protection sector played in response to shocks?	Impact of Shocks	Section 2: Shocks – Which shocks occurred and their impacts
Were social protection programmes scaled up, maintained, or reduced?	Fiscal Impact of Shocks	Section 2: Shocks – Main fiscal measures taken
Are flexible funding mechanisms available for emergencies?	Sectoral Support	Section 4: Spending hits the ground – Targeting social spending
What challenges were encountered in supporting vulnerable households?	Sectoral Support	Section 4: Spending hits the ground – Targeting social spending
Ministry of Agriculture and Rural Development		
How have shocks affected sectoral budgets?	Fiscal Impact of Shocks	Section 2: Shocks – How did the economy perform compared to the plan(s)?
Were initiatives redirected or suspended?	Fiscal Impact of Shocks	Section 2: Shocks – Main fiscal measures taken
Are there safeguards for services to smallholder farmers?	Sectoral Support	Section 4: Spending hits the ground – Targeting social spending
What role has public financing played in addressing food insecurity?	Sector Funding and Support	Section 4: Spending hits the ground – Targeting social spending
Ministry of Public Works and Housing		
How have external shocks affected infrastructure projects?	Impact of Shocks	Section 2: Shocks – Which shocks occurred and their impacts
Which projects were reprioritised, suspended, or accelerated?	Fiscal Impact of Shocks	Section 2: Shocks – Main fiscal measures taken
What strategies are being used to mobilise resources?	Policy and Strategic Focus	Section 1: Ambition – Why did multi-annual plans fall short?
Are there mechanisms to ensure infrastructure resilience?	Sectoral Support	Section 4: Spending hits the ground – Efficiency and outputs

How is SDG 11 being operationalised?	Sector Funding and Support	Section 4: Spending hits the ground – Targeting social spending
International Organisations (IMF, World Bank)		
How would you assess Mozambique's fiscal strategy alignment with SDGs?	Policy and Strategic Focus	Section 1: Ambition – How do the plan(s) relate to SDG and climate needs?
What support has your institution provided for fiscal and debt management?	IMF and Debt Relief – Debt and Aid	Section 3: IMF to the rescue? – Debt management
How have shocks influenced engagement with Mozambique's fiscal and debt policies?	Shocks and Donor Response	Section 2: Shocks – Impact of shocks
To what extent have your conditionalities influenced budget allocations?	Fiscal Impact of Shocks	Section 3: IMF to the rescue? – How do IMF conditions compare?
How do you assess fiscal risk management and debt sustainability?	IMF and Debt Relief – Debt and Aid	Section 3: IMF to the rescue? – Debt restructuring
What reforms would you recommend for greater transparency and SDG alignment?	Policy and Strategic Focus	Section 1: Ambition – How do the plan(s) relate to SDG and climate needs?
What risks does Mozambique face regarding cooperation and debt credibility?	Debt Restructuring	Section 3: IMF to the rescue? – Debt restructuring
International Organisations (UNICEF, Save the Children, UNDP, Plan International, World Vision, the Red Cross Mozambique, and the WFP) The organisations proposed for the interview, were selected based on their direct engagement in key sectors under review, namely education, health and social protection. Their programmes focus particularly on community-level interventions and often align with government initiatives, providing critical information about the effectiveness, gaps, and challenges of public spending and service delivery. Given that the section on spending efficiency in the report specifically centres on education, health, and social protection, and that the broader study analyses the impact of external shocks, we think these organisations are well positioned to contribute with sectoral knowledge about social dynamics related to the political economy perspectives shaping government interventions.		
What are your organisation's community-level interventions?	Sectoral Support	Section 4: Spending hits the ground – Targeting social spending
How do national fiscal priorities affect your local programmes?	Sector Funding and Support	Section 4: Spending hits the ground – Targeting social spending
Do you coordinate with ministries or local authorities?	Sectoral Support	Section 4: Spending hits the ground – Targeting social spending

How would you assess public investment adequacy in rural areas?	Sector Funding and Support	Section 4: Spending hits the ground – Targeting social spending
What challenges exist aligning interventions with national strategies?	Shocks and Donor Response	Section 2: Shocks – Impact of shocks
What is the profile of disaster-affected communities?	Impact of Shocks	Section 2: Shocks – Impact of shocks
How effective have government programmes been?	Shocks and Donor Response	Section 2: Shocks – Main fiscal measures taken
Civil Society Organisations (FMO, PSCM-PS, GMD, CIP, ROSC, MEPT, N'weti, Oxfam in Mozambique) These organizations are proposed due to their active engagement in key areas relevant to the study, including debt and government spending transparency advocacy (e.g. FMO, CIP) child rights (e.g. ROSC), education, public health, and social protection (e.g.: PSCM-PS). Each organisation brings unique expertise and experience that are essential for understanding how fiscal strategies and public investment decisions impact vulnerable communities. Their involvement in national policy dialogue, monitoring of government commitments, and advocacy for inclusive, equitable fiscal policies positions them as critical informants for assessing the political economy dynamics that shape budget allocations, debt management, and the delivery of essential public services in Mozambique.		
What impacts have fiscal policies and budgets had on vulnerable groups?	Sector Funding and Support	Section 4: Spending hits the ground – Targeting social spending
To what extent is civil society consulted on fiscal and debt decisions?	Policy and Strategic Focus	Section 1: Ambition – Why did multi-annual plans fall short?
How would you assess transparency in debt management?	IMF and Debt Relief – Debt and Aid	Section 3: IMF to the rescue? – Debt management
What are your concerns regarding sector funding?	Sector Funding and Support	Section 4: Spending hits the ground – Targeting social spending
How has fiscal strategy evolved over the past decade?	Policy and Strategic Focus	Section 2: Shocks – Fiscal policy adjustments
What recommendations for fiscal equity and sustainability?	Policy and Strategic Focus	Section 1: Ambition – Why did multi-annual plans fall short?
What role can civil society play in fiscal governance?	Policy and Strategic Focus	Section 1: Ambition – Why did multi-annual plans fall short?
How do you assess the IMF's role in negotiations and fund allocation?	IMF and Debt Relief – Debt and Aid	Section 3: IMF to the rescue? – IMF negotiations