

MOZAMBIQUE News reports & clippings

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This is a personal project by Dr Joseph Hanlon, with no outside funding.

J Hanlon's new book "Moçambique recolonizado através da corrupção"

free on <https://bit.ly/MozRecol> (Portuguese only)

IMF vs Government - Part 2

IMF thinks the money pot is empty and collapse is nigh, but Frelimo is 'cautiously optimistic'

Frelimo and the IMF do not appear to be looking at the same country. IMF staff say "current policies are unsustainable". But government "remains cautiously optimistic about near- and medium-term prospects, underpinned by Mozambique's natural resource endowment," said Adriano Ubisse, IMF Executive for Mozambique, writing "on behalf of the Mozambique authorities". IMF points to no jobs and growing poverty and uncontrolled spending. IMF wants immediate austerity and control of corruption

This is the second newsletter on two documents published by the IMF on Thursday (17 February), two days after the IMF released its Executive Board statement rejecting a new loan and programme for Mozambique. First is a 104-page packet on the "[2025 Article IV Consultation](#)" with the staff report submitted to the Executive Board at its 13 February meeting, a debt sustainability analysis, and a statement by the Executive Director for Mozambique. Second is a [staff paper on "selected issues"](#).

No jobs and growing poverty 'heighten risks of social tensions.'

Despite continued GDP growth, the past decade has been a lost decade for most Mozambicans. GDP per capita was falling and poverty was increasing. Between 2000 and 2015 real GDP grew at 7.9% per year, but between 2016 and 2024 average annual growth as only 2.9% per year. The staff *selected issues* paper (pp 4-10) noted that Mozambique "ranked 182 out of 193 nations in the 2023 *UNDP Human Development Index*, reflecting weak education and health outcomes, limited access to electricity, significant gender disparities, and persistently high poverty rates."

IMF staff point out that Mozambique generated only one-third as many jobs per unit of per capita GDP growth as other Sub-Saharan Africa counties. "Manufacturing - a sector typically associated with high-productivity and employment - has been contracting since the 2000s ... This structural weakness is particularly concerning given the large LNG projects on the horizon, which are capital-intensive and offer limited employment opportunities. These dynamics underscore the urgency of pursuing efforts to create an environment conducive to a job-rich growth model - key to inclusive and sustainable development."

Government admitted that Mozambique "is a net importer of nearly all goods." (*Article IV staff report*, p 9)

Two-thirds of all manufacturing firms are informal. But IMF staff say "some informal jobs offer training, better wages, and relatively high productivity, serving as stepping stones toward formal

employment". So instead of just pushing for formalisation, it would be better to "harness the potential of this sector".

Staff also point out that because of the fiscal squeeze, "social transfers to the most vulnerable fell sharply - from 0.7% of GDP in 2019 to 0.1% in 2024. These trends underscore the need for reprioritizing public spending toward infrastructure, education, health, and social protection to foster inclusive growth."

"Current estimates by IMF staff suggest that Mozambique will need to create around 550,000 new jobs annually by 2030 to employ the new entrants to the workforce, with the demand continuing to rise over the next two decades. Without adequate job creation, poverty and food insecurity could worsen, heightening risks of social tensions."

Trade and deficit data comparisons show at least \$500mn leaking from government

IMF staff did basic comparisons of trade of deficit and trade data and found differences of hundreds of millions of dollars which suggests unrecorded expenditure, unpaid taxes and other thefts and fraud. (*Article IV staff report*, pp 53-55)

Increases in government fiscal debt can be calculated in two ways. One is simply the excess of expenditure over revenue - known as above-the-line (AL). The other is calculating the change in government debt - arrears and outstanding loans - known as below-the-line (BL). These should be equal at the end of the year. But in Mozambique, there are huge gaps. IMF thinks BL is more accurate.

"During 2020–24, the average annual fiscal deficit measured AL was 3% of GDP, compared to 5.4% of GDP when measured BL." This means 2.4% of GDP, or about \$500mn per year, was borrowed and added to government debt, but which does not appear in the government spending accounts. "Large unexplained gaps may signal unrecorded transactions in AL accounts or off-budget operations, eroding trust in fiscal data."

A similar problem comes up with trade statistics, when comparing Mozambican and partner country data. What trade with Mozambique does the trading partner report, and is it the same at Mozambique reports? "Mozambique's official trade data often diverges significantly from partner-country records, indicating systemic issues rather than isolated errors. ... The magnitude and persistence of Mozambique's discrepancies suggest structural problems such as trade mis-invoicing, capital flight, and tax evasion."

Mozambique reports much lower levels of imports and exports than its partners do. Over 2021-2024, South Africa said it exported to Mozambique 150% of what Mozambique said it imported from South Africa. China said it exported 170% of Mozambique's reported imports from China. These are not small differences because imports from South Africa and China account for 25% and 15% of Mozambique's total imports. "Foreign exchange controls and shortages incentivize practices such as under-invoicing of trade to retain more FX [foreign exchange] abroad, while tax and tariff avoidance and policy-induced informality further exacerbate the problem." This is clear at the Ressano Garcia border post with South Africa - business people and informal traders (*mukheristas*) simply go to informal money traders near the border post and trade Meticaais for South African Rand to buy goods or pay bills in South Africa. And as the foreign exchange crisis becomes worse, it is increasing. IMF staff say "Mozambique's trade data shows persistent and widening discrepancies with partner-country statistics."

IMF demands austerity now and growth later

The IMF loan and programme was confirmed in the 2024 Article IV consultations included conditions that both President Nyusi and IMF staff knew could not be implemented, notably devaluation of the

Metical and a sharp cut to the total wage bill. They left it for the new President, Daniel Chapo, to capitulate, and he did not. The previous Fund-supported program lapsed in April 2025. The government requested a successor Fund-supported program in May, but that required implementation of IMF demands. THE IMF staff note that "critical policy recommendations in the 2024 Article IV - including fiscal consolidation and greater exchange rate flexibility have not been implemented.

The *Article IV Staff Report* (pp 1,4, 8, 11, 12, 17) says that "front-loaded fiscal consolidation is essential to restore fiscal sustainability and reduce debt vulnerabilities, while creating fiscal space for development and safety nets for the most vulnerable. Wage bill rationalization should be prioritized, and the tax base broadened." Second, "greater exchange rate flexibility" is required - that is, devaluation.

"Front-loaded fiscal consolidation" means that austerity comes first, and any growth comes later. "While fiscal consolidation and external rebalancing would temper economic growth in the near term, these comprehensive measures would lay the foundation for stronger and more sustainable growth over the medium term." Pain now and gain only in the future.

Later in the report it admits that "while consolidation may weigh on short-term growth, it will lay the foundation for stronger medium-term growth by reinforcing macroeconomic stability." And it admits that growth will return only when LNG revenues materialize (around 2030).

The wage bill of 14.4% of GDP in 2024 accounts for roughly half of government spending. By reducing the public wage bill to 11% of GDP by 2028, "this would create space to increase domestically financed capital and social spending, which recover under the reform scenario." Demands already made last year were eliminating the 13th-month salary, freezing base salaries, promotions and career progressions; strict limit on overtime; and restricting new hires to priority sectors (health, education and justice). These restrictions would apply for the whole period 2026-30.

Because these policies will cause hardship, the IMF says "a clear and well-targeted communications strategy is needed to build public trust and secure stakeholder buy-in for fiscal consolidation and expenditure realignment. The narrative should explain why consolidation is necessary, how it benefits the population, and what safeguards are in place to protect the most vulnerable. Transparency is key - the authorities must share data, timelines, and trade-offs in simple, consistent language that emphasizes fairness and social protection. Multiple channels should be used to ensure broad outreach and engagement, including traditional media, and digital platforms. By fostering understanding and trust, the strategy will help mitigate discontent and enhance the credibility of the adjustment."

Attacking corruption and uncontrolled spending

"Mozambique continues to lag regional peers on corruption and governance indicators", warns the IMF. "Strengthening governance, transparency, accountability, and the rule of law is critical for fostering a predictable business environment that can attract investment and create jobs. Addressing public financial management weaknesses - such as budget credibility, procurement monitoring, arrears financing, and fiscal transparency - is crucial."

"Addressing underlying causes - poor budget credibility and weak expenditure controls - is crucial. Establishing sequential expenditure stages (commitment, verification, payment) is warranted to strengthen expenditure controls.... Enhancing transparency in procurement processes is critical to mitigating corruption risks."

"Improving governance, transparency, financial integrity, and accountability - while reinforcing the rule of law - is vital for creating a predictable business environment, attracting investment, and generating jobs."

"Unlocking private sector growth requires decisive implementation of the anti-corruption framework, stronger accountability institutions, enhanced judicial integrity and independence, and better protection and enforcement of property rights and contracts." (*Staff report*, pp 1, 17-19)

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Elections

CIP Mozambique Elections Bulletin is published by Centro de Integridade Pública (CIP

<https://www.cipmoz.org>; <https://cipeleicoes.org/eng/cip@cipmoz.org>).

To subscribe or unsubscribe: <https://bit.ly/MozBul-sub> Past election newsletters are on <https://bit.ly/CIP-EI>

Election study collaboration: We have detailed election data from 1999 through 2014 and are inviting scholars to use this data collaboratively. <http://bit.ly/MozEIData>

Important external links

Books by Joseph Hanlon can be downloaded, free: <https://bit.ly/HanlonBooks>

Flood, cyclone and weather: weather <https://www.inam.gov.mz/>

rainfall https://www.inam.gov.mz/images/DAPT_Previsoes/Manha/Previsao_Manha.pdf

Cyclone trackers, <https://bit.ly/Reunion-cyclone>, <https://www.metoc.navy.mil/jtwc/jtwc.html>

(which uses z time which is UCT - Coordinated Universal Time) and <https://www.cyclocane.com/>

Two LSE working papers - World Bank questions its Mozambique 'success' where oligarchs brought high inequality, poverty and corruption - <https://bit.ly/Moz-LSE-208c> and **How the IMF and World Bank caused a resource curse and civil war in Mozambique** - <https://bit.ly/Moz-LSE-209>

Minimum wage & exchange rate charts, tables 1996-2022 <https://bit.ly/MozMinWage2022>

Previous editions of this newsletter: <https://bit.ly/MozNews2023> and <https://bit.ly/MozNews2022>

My Mozambique archive: <http://bit.ly/Mozamb>

Cabo Delgado

Cabo Ligado weekly report on civil war <https://www.caboligado.com/>

Archive with reports, detailed maps, and census data <https://bit.ly/Moz-CDg>

Special reports on the war

Evolution of the war: global vs local. 27 Feb 2020 <http://bit.ly/CDelgadoOrigins>

Religion is shaping Cabo Delgado civil war. 30 April 2020 <https://bit.ly/CDelgadoReligion>

Intensifying argument over roots of war. 28 June 2020 <https://bit.ly/Moz-492>

Are the drums of war silencing any hope of peace? 26 July 2020 <http://bit.ly/Moz-496>

A history of violence presages the insurgency. 13 August 2020 <http://bit.ly/Moz-498>

Military & economic intervention. 3 Sept 2020 <https://bit.ly/CDelgadoIntervene>

Cabo-Delgado-Free-for-all. 20 Apr 2022. <http://bit.ly/Moz-593>

Mozambique heroin transit trade

English - LSE - 2018 - <http://bit.ly/Moz-heroin>

Portuguese - CIP- 2018 - <http://bit.ly/HeroinaPT>

2001 first article- *Metical* - English and Portuguese <https://bit.ly/MozHeroin2001>

Gas for development?

Gas_for_development_or_just_for_money?_2015 bit.ly/MozGasEng

Gás_para_desenvolvimento_ou_apenas_dinheiro?_2015 bit.ly/MozGasPt

Background reading

Special reports

Social protection report - 2017 Mozambique - <http://bit.ly/MozSocPro>

Special report on four poverty surveys: bit.ly/MozPoverty

\$2bn secret debt - in English

Secret debt trial (Aug-Oct 2021) press reports <https://bit.ly/Moz-secret-debt>

Kroll - Full report on \$2bn debt - <http://bit.ly/Kroll-Moz>

Kroll report summary - <http://bit.ly/Kroll-sum>

Key points of Mozambique parliament report - Nov 2016 - <http://bit.ly/MozAR-debt-En>
Following the donor-designed path to Mozambique's \$2.2 bn debt - <http://bit.ly/3WQ-hanlon>

In Portuguese:

Parliamentary Report on the Secret Debt (complete) bit.ly/MozAR-debt
2018 Constitution - <http://bit.ly/2KF588T>

Twelve books by Joseph Hanlon can be downloaded, free: <https://bit.ly/HanlonBooks>

"**Moçambique recolonizado através da corrupção**" (2025) <https://bit.ly/MozRecol> (Portuguese only)

Zimbabwe takes back its land (2013) <https://bit.ly/Zim-takes-land>

Bangladesh confronts climate change (2016)

Chickens and beer: A recipe for agricultural growth in Mozambique (2014) is on <https://bit.ly/Chickens-Beer>

Há Mais Bicicletas – mas há desenvolvimento? (2008)

Civil War Civil Peace (2006): <https://bit.ly/Civil-War-Civil-Peace>

Moçambique e as grandes cheias de 2000 (2001)

Mozambique and the Great Flood of 2000 (2001)

Paz Sem Benefício: Como o FMI Bloqueia a Reconstrução (1997)

Peace Without Profit: How the IMF Blocks Rebuilding (1996) <https://bit.ly/Peace-wo-Profit>

Mozambique: Who Calls the Shots (1991) <https://bit.ly/Shots-Moz>

Mozambique: The Revolution Under Fire (1984)

These are still available for sale:

Galinhas e cerveja: uma receita para o crescimento (2014) (free in English)

Just Give Money to the Poor: The Development Revolution from the Global South (2010)

Do bicycles equal development in Mozambique? (2008) (free in Portuguese)

Beggar Your Neighbours: Apartheid Power in Southern Africa (1986)

Mozambique media websites, English:

Club of Mozambique (free): <http://clubofmozambique.com/>

Zitamar (paywall): <http://zitamar.com/>

Mozambique media websites, Portuguese (all with partial paywall):

Notícias: www.jornalnoticias.co.mz

O País: www.opais.co.mz

@Verdade: <http://www.verdade.co.mz>

Carta de Moçambique <https://cartamz.com>

Mozambique think tanks and pressure groups, Portuguese:

Centro de Integridade Pública: CIP <https://cipmoz.org/>

Observatório do Meio Rural: OMR <https://omrmz.org/>

Instituto de Estudos Sociais e Económicos: IESE <https://www.iese.ac.mz/>

Centro Para Democracia e Desenvolvimento CDD <https://cddmoz.org/> (some CDD in English)

Also CDD now controls Fórum de Monitoria do Orçamento - FMO (main debt group) <http://www.fmo.org.mz>
and RMDDH - Rede Moçambicana dos Defensores dos Direitos Humanos (a human rights group).

To subscribe to all CDD publications: <http://eepurl.com/qO9l6v> (English or Portuguese).

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