

I. COUNTRY REFORM PROGRESS

Mozambique has significant natural gas deposits that, if developed in an efficient manner, could generate important revenues for government. However, the development of these resources has been slowed by grave security concerns and political instability, with development of the most significant projects stopped under force majeure. More recently, security conditions have improved and development has restarted, with significant natural gas production projected to start in the coming years. Mozambique also has important mineral resources. In this context, this Global Public Finance Partnership (GPFP) project has supported government efforts in extractive resource management on tax policy and revenue administration, to realize the fiscal benefits of resource extraction. It is important for the government to continue building capacity of staff to be prepared to effectively manage the fiscal regime for both petroleum and mining. This includes identifying potential fiscal risks, conducting timely audits of development costs and forecasting resource revenues. The IMF's Fiscal Affairs Department (FAD) has coordinated with consultants working for the Norwegian Agency for Development Cooperation, that are also developing capacity for petroleum revenue projections, and with the Taxing Efficiently for Developing Inclusively project that is funded by the United Kingdom and Sweden.

FAD capacity development (CD) through the GPFP project has focused on continuing to build capacity of key staff in the Ministries of Finance and Energy, the Revenue Authority, sectoral regulators and the national oil company. In particular, staff have been trained in the use of sectoral Fiscal Analysis of Resource Industries (FARI) models to forecast revenues and as a tool to analyze extractives tax policy. Staff have built their capacity to support a risk-based approach to tax compliance management. FAD has been able to regain traction with authorities, after a period of political instability and a significant reorganization of government that stopped CD delivery in 2025. Looking forward, authorities will benefit from building capacity to effectively renegotiate fiscal terms of expiring mining agreements, and to update and use the existing mining and liquified natural gas FARI models. On revenue administration of the extractive industries (EI), CD will continue addressing audit capacity through practical on-the-job training, mentoring and coaching, including building data analytics capacity, and strengthening risk assessment capabilities in the Extractive Industry Taxation Unit within the Mozambique Revenue Authority. The authorities signaled strong interest and commitment to continue engaging in CD activities.

II. PROJECT DELIVERY HIGHLIGHTS

RM I: Revenue Module I – Tax Policy

Key Progress in FY26: With political and social stability returning to the country in 2025, support on extractives was restarted with a CD mission in December 2025, focusing on a FARI workshop and policy discussions with the main stakeholders. FARI models have been developed both for mining and natural gas projects, which will need to be periodically updated to ensure they remain relevant for authorities. More capacity building needs to be delivered to ensure that key staff remain well trained in the models used. Various CD activities have reviewed the contractual framework for liquefied natural gas (LNG) projects, and its tax implications. Force majeure was lifted and final investment decision has been reached for all LNG projects.

Previous Progress: Lingering social and political unrest in 2024/2025, and a significant reorganization of the Ministry of Finance slowed CD delivery on extractives industries.

Next Steps: More CD is needed to update mining and petroleum forecasting revenues as development of the largest LNG projects restarts. Additionally, more capacity building of staff is needed to update and operate the revenue forecasting models. There is also a need to build staff capacity to model the fiscal terms of expiring mining agreements. A CD mission is planned for late 2026.

RM II: Revenue Module II – Revenue Administration

Key Progress in FY26: Due to limited absorption capacity of the tax administration extractive industry unit, (this unit is engaged in an ambitious tax audit program), CD slowed down. A remote STX support reviewed the latest compliance improvement plan (CIP) in the EI and provided recommendations for improvement.

Previous Progress: Mozambique has benefitted from CD from FAD and other technical partners for 8 years on EI, resulting in notable progress in the administration of EI taxes. The tax administration is now engaged in an ambitious tax audit program of large-scale oil and gas investors, covering some of the most complex tax issues.

Next Steps: A staff visit in April 2026 by the regional EI long-term resident advisor confirmed the strong interest and commitment of the authorities to continue engaging in CD activities with FAD on revenue administration, with a focus on audit capacity through mentoring and coaching, building data analytics capacity, and strengthening risk assessment capabilities in the Extractive Industry Taxation Unit.

III. LOGICAL FRAMEWORK

Country – Mozambique		
RM I: Objective – Improve Tax Policy Design - TPD		Rating - 2
Outcome	Rating	Narrative
Increased economic efficiency by minimizing economic distortions or addressing externalities or market failures	2 Partially Achieved	Various activities have reviewed the contractual framework for LNG projects, and its tax implications. Force majeure was lifted and final investment decision has been reached for the most important LNG projects. A CD mission in December 2025 discussed the outlook for the fiscal regime for mining activities, but no additional requests for CD were received.
RM I: Objective – Strengthen Policy Monitoring, Evaluation, and Institutions – TPM		Rating - 3
Outcome	Rating	Narrative
Improved structures (e.g., tax policy units) or capacity (e.g., models and	3 Largely Achieved	With social and political unrest subsiding, cd on extractives was restarted in December 2025. FARI

tools) related to tax policy advice and analysis.		models have been developed both for mining and natural gas projects, and updates of the models will be continually undertaken to be sure they keep their relevance for authorities. More capacity building needs to be delivered to ensure that key staff remain well trained in the models used.
RM II: Objective – Strengthened revenue administration management and governance arrangements (SDG 17.1) - RAM		Rating - 3
Outcome	Rating	Narrative
Corporate priorities are better managed through effective risk management	3 Largely Achieved	A CIP for the EI has been developed. The extractive industry unit has started implementing the CIP, by initiating a risk-based tax audit program, including transfer pricing-oriented audits of large oil and gas projects. The audit program will inform an improvement in the CIP.

IV. RISK ASSESSMENT

Description	Rating	Mitigation Measures
External Climate/Conditions		
RM I, RM II: Risk that external events create a more challenging environment to implement reforms.	Medium	Ensure sufficient flexibility in program execution across countries and allow for ability to adjust activities in the case of adverse events.
Political Support		
RM I, RM II: Lack of political support for reforms inhibits required actions or resources being allocated that are needed to enhancements to fiscal risk management institutions and practices.	Medium	Ensure fiscal risk CD is focused on priority areas and engage regularly with ministers and senior management to ensure government ownership of reforms.
Management and Technical Staff Support and Commitment		
RM I: Potential staff turnover and lack of specific capacities hinder adoption of policy recommendations	Medium	Tailor CD delivery to staff's abilities and identify junior staff to receive CD.
RM II: Low commitment of management and staff in finance and other ministries to adopt and implement fiscal risk management practices.	Medium	Engage with senior management and technical staff proactively and explain the importance of strengthening fiscal risk management.

Description	Rating	Mitigation Measures
Resource Adequacy		
RM I, RM ii: Insufficient technical capacity and human resources necessary to implement reforms are limited.	Medium	Ensure CD plans include sufficient capacity building and training elements and prioritize CD to priority or highest risk areas where resources are limited.
Other Risks		
RM II: Multiple donors provide technical assistance on fiscal risk topics and gaps, or overlaps may arise as a result.	Medium	Take an active role in engaging with other donors to ensure support is well coordinated.

V. PROJECT MANAGERS: CONTACT INFORMATION

Project Manager	Module Project Manager	E-mail
Eduardo Camero Godinez	Eduardo Camero Godinez (Tax Policy) Pierre Kerjean (Revenue Administration) Bernard Sanya (Extractive Industries, Revenue Administration)	ECameroGodinez@imf.org PKerjean@imf.org BSanya@imf.org