

AFRICA RISK CONSULTING

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Mozambique Summary 21 January 2018

Serviço Nacional de Investigação Criminal (SERNIC) (national criminal investigation service) director Ilidio Miguel says SERNIC holds important data concerning the Islamist militant attacks in the Mocimboa da Praia District. Security officials increase forces in the region after an attack kills a member of the Unidade de Intervenção Rápida (UIR) (riot police) unit of the Mozambican police. The World Bank revises Mozambique's 2018 economic growth forecast to 3.2%, down 2.9% from its initial estimate. The African Development Bank (AfDB) provides \$300m in funding to the \$5 billion Nacala Corridor rail and port project in Mozambique. United States (US)-based Anadarko Petroleum Corp is in talks with China to supply liquefied natural gas (LNG) from its planned development in Mozambique.

Security officials reportedly hold important data regarding Islamist attacks

Serviço Nacional de Investigação Criminal (SERNIC) (national criminal investigation service) director **Ilidio Miguel** stated on 9 January that SERNIC held important data concerning the **Islamist** militant attacks in the **Mocimboa da Praia District**.¹ The data gives information on the group's motives and location and may help to put an end to the attacks that have resulted in business instability in a region close to a major mining concession. Miguel declined to give details but stated he would provide complete information regarding the incidents in the near future.² Authorities have been trying to understand the motives of the attackers since the first attacks in October 2017 and the documents may give more insight.³

Captured members of the group say they do not recognise the legitimacy of the Mozambican state or government.⁴ The group reportedly calls itself **Ansar al-Sunna** (defenders of tradition), which is the same name as an **Iraq**-based **Sunni** insurgent group.⁵ The local population refers to the group as **Al Shabaab**, although there is no apparent link with the **Somalia**-based militant group of that name.⁶ The group is largely made up of **Mozambican** nationals, but also includes some "foreigners":⁷

"A man called 'Nuro' helped to recruit the groups, made payments and led national operations, though there is reportedly someone above him."⁸

Sources in Mozambique say the issues began in 2013 when the governments of **Sudan** and **Saudi Arabia** offered scholarships to people in rural Mozambique to study Islam:

*"Some of these were detained in **Maputo** on their way to study in madrassas abroad. After their return, there was conflict in the Islamic community on the interpretation of Islam. A new group broke away and called itself Ansar Al Sunah and Al Shabaab, controlled two mosques and instructed their followers to stop sending their children to secular institutions."⁹*

¹ Club of Mozambique, 10 Jan 2018.

² Club of Mozambique, 10 Jan 2018.

³ Club of Mozambique, 10 Jan 2018.

⁴ Club of Mozambique, 10 Jan 2018.

⁵ Club of Mozambique, 8 Jan 2018.

⁶ Club of Mozambique, 8 Jan 2018.

⁷ Source, journalist, Maputo

⁸ Source, journalist, Maputo

⁹ Source, journalist, Maputo

A local journalist reports that violence began when “someone took advantage of the situation and used the radical group to conduct armed disturbances”.¹⁰ Security forces increased their presence in the region after an attack on 17 December killed a member of the **Unidade de Intervenção Rápida (UIR)** (riot police) unit of the Mozambican police.¹¹ The attack against defence and security force members stationed to protect the area left five wounded and one dead.¹² The attack came shortly after police chief **Bernardino Rafael** called on the group to surrender.¹³ Other government officials reportedly described the call to surrender as “ridiculous”:¹⁴

“[The call was] not an official declaration by the government. He was criticised within the defence forces, and the informal setting in which he made the call made the issue less important.”¹⁵

In response to the 17 December attack, military helicopters and a navy ship reportedly shelled an **Islamist** base near Mocimboa da Praia on 23 and 24 December.¹⁶ This is the first major military response against a group that has continued to attack villages in the area, close to a major mining operation. The shelling reportedly resulted in 50 casualties, though it is unclear whether all casualties were members of the Islamist group.¹⁷ According to a Mozambican general,

“Some may be civilians who did not follow government instructions to leave the targeted village. In these situations, there may be mistaken deaths of civilians.”¹⁸

The local population has begun to blame the government for the continuing attacks. Local leaders reportedly denounced the group in 2015 while Mocimboa da Praia residents warned authorities of the presence of the fundamentalist group prior to the attacks.¹⁹ District consultative council member **Rajabo Rabio** reported that he warned the government of potential attacks during four meetings.²⁰ Government leaders, particularly **Cabo Delgado** governor **Celmira da Silva**, ignored residents’ warnings.²¹ Local media quoted Rabio saying that “this war is only happening because the government ignored our warnings.”²² Local businessman **Faruk Jamal** states that,

“[The government] is preoccupied with buying airplanes, when it should be thinking about schools for our children... when we don’t train our children, they will be manipulated.”²³

The government referred to the attacks as “terrorist attacks” on 3 January and said it would increase its response.²⁴ Police spokesperson **Inacio Dina** said the individuals who committed the crimes would be “held responsible according to the level of crimes committed”.²⁵

World Bank revises economic growth downwards for 2018

The **World Bank** revised Mozambique’s 2018 economic growth forecast to 3.2%, down 2.9% from its initial estimate, on 12 January.²⁶ The downward projection may result in decreased investment into

¹⁰ Source, journalist, Maputo

¹¹ VOA, 20 Dec 2017.

¹² VOA, 20 Dec 2017.

¹³ Club of Mozambique, 15 Dec 2017.

¹⁴ Source, government official, Maputo

¹⁵ Source, journalist, Maputo

¹⁶ Club of Mozambique, 8 Jan 2018.

¹⁷ Club of Mozambique, 8 Jan 2018.

¹⁸ Source, military general, Maputo

¹⁹ Source, journalist, Maputo

²⁰ Club of Mozambique, 8 Jan 2018.

²¹ Source, journalist, Maputo

²² Club of Mozambique, 8 Jan 2018.

²³ Club of Mozambique, 8 Jan 2018.

²⁴ Xinhua, 3 Jan 2018.

²⁵ Xinhua, 3 Jan 2018.

²⁶ Journal du Cameroun, 12 Jan 2018.

Mozambique. The drop in estimated growth is due to Mozambique's high public debt service costs, which the World Bank describes as “unsustainable”, as well as a reduction in public investment:²⁷

“Sources state that there have been no new road contracts awarded for three years; weak recovery of the transport and tourism sectors; and weak investments by the government.”²⁸

The new projections are lower those of the prime minister, **Carlos Agostinho do Rosario**, who estimated 5.3% economic growth in 2018.²⁹ While final projections are not yet complete, the World Bank estimates that Mozambique's economy grew 5.5% in 2017.³⁰ Inflation was down to 5.65%, a decrease from 23.67% in 2016.³¹ While the government is bullish about the economy in 2018,

“...economists say that Mozambique must diversify its economy and reduce dependency on the extractive sector as well as implement reform in the agricultural sector in order to grow the economy.”³²

The World Bank may freeze new loans to Mozambique due to more than \$2 billion in undisclosed debts.³³ The **International Monetary Fund (IMF)** suspended aid to Mozambique in 2017 due to allegations that the government had used the \$2 billion in undisclosed loans to fund defence and security operations.³⁴

African Development Bank provides \$300m in funding for Nacala corridor

The **African Development Bank (AfDB)** will provide \$300m in funding to the \$5 billion **Nacala Corridor** rail and port project in Mozambique, according to reports on 21 December.³⁵ The AfDB is also investing \$1m in grants to assist small and medium sized enterprises that will develop businesses along the corridor.³⁶ The AfDB country manager for Mozambique, **Pietro Toigo**, said the Nacala Corridor project supports initiatives that will lead to sustainable development goals in **Africa**.³⁷

*“By providing a rail link across Mozambique and **Malawi**, with a possible extension to **Zambia**, it will help to integrate Africa. And by opening markets for agricultural commodities, it will help to feed Africa. This dual-use infrastructure development shows that Mozambique can put its natural resources at the service of its citizens.”³⁸*

Transport minister **Carlos Mesquita** said the project would allow Mozambique to fulfil its ambition to be a regional gateway to world markets.³⁹ The Nacala project includes the construction of a 912-kilometre railway from western Mozambique to the Nacala port in eastern Mozambique, via Malawi.⁴⁰ The project also includes the construction of a deep sea port and associated terminal infrastructure.⁴¹ Coal exports are expected to increase by 40% once the rail line is operational, as well as handling four million tonnes of freight capacity for non-coal commodities.⁴²

²⁷ Journal du Cameroun, 12 Jan 2018.

²⁸ Source, journalist, Maputo

²⁹ Journal du Cameroun, 12 Jan 2018.

³⁰ Journal du Cameroun, 12 Jan 2018.

³¹ Club of Mozambique, 11 Jan 2018.

³² Source, economist, Maputo

³³ Journal du Cameroun, 12 Jan 2018.

³⁴ Journal du Cameroun, 12 Jan 2018.

³⁵ IOL 21 Dec 2017.

³⁶ IOL, 21 Dec 2017.

³⁷ IOL 21 Dec 2017.

³⁸ IOL 21 Dec 2017.

³⁹ Global Construction Review, 22 Dec 2017.

⁴⁰ IOL 21 Dec 2017.

⁴¹ IOL 21 Dec 2017.

⁴² IOL 21 Dec 2017.

Anadarko Petroleum Corp in talks to supply China with LNG

United States (US)-based **Anadarko Petroleum Corp** is in talks with **China** to supply liquefied natural gas (LNG) from its planned development in Mozambique, according to reports on 9 January.⁴³ Increased demand for LNG will help to drive up the cost and spur further investment into the exploration and development of LNG, which is a major part of Mozambique's economy. China's LNG imports rose almost 50% in the first 10 months of 2017, which has made it a long-term strategic market for Anadarko.⁴⁴ The company has held discussions with "a variety of Chinese counterparts including national oil companies and emerging independent LNG buyers".⁴⁵ Anadarko is looking for further sales and purchase agreements (SPAs) to justify the final investment needed for its development in northern Mozambique and has SPAs for 2.6 million tonnes of LNG per year, short of Anadarko's target of 8 million tonnes per year.⁴⁶

Planner

25-26 Apr 2018 **Maputo (Mozambique)** 6th annual **Mozambique Mining, Oil & Gas, and Energy Conference and Exhibition (MMEC 2018)**

24 Jan 2018 **(Mozambique)** Nampula municipal by-elections

Chronology

22 Jan 2018 **Maputo (Mozambique)** *Biz Community*. **Standard Bank** lends funds for **Mozambique's Coral Floating Liquefied Natural Gas (FLNG)** development, part of \$8 billion in investment;

22 Jan 2018 **Maputo (Mozambique)** *Small Caps*. **Battery Minerals** signs fourth offtake deal in one month for Mozambique graphite;

22 Jan 2018 **Maputo (Mozambique)** *Biznis Africa*. **Emerging Africa Infrastructure Fund** signs participation agreement with **International Finance Corporation** to provide \$21m loan to Mozambican power station, **Central Termica de Ressano Garcia S.A.**;

18 Jan 2018 **Maputo (Mozambique)** *AllAfrica*. Mozambique's tax authority surpasses tax collection target by 8.5%, with gross revenue of 202 billion meticaís (\$3.42 billion);

17 Jan 2018 **Maputo (Mozambique)** *Southern Times*. **Zimbabwe** President **Emmerson Mnangagwa** (2017-present) visits Mozambique for one day official visit;

17 Jan 2018 **Maputo (Mozambique)** *Mining Technology*. **Savannah Resources** submits three applications for mineral leases near **Mutamba Heavy Mineral Sands Projects**;

9 Jan 2018 **Maputo (Mozambique)** *Mining Technology*. **Mustang Resources** secures \$15m in funding from **United States-based Arena Investors** for projects in Mozambique;

9 Jan 2018 **Maputo (Mozambique)** *IT Web Africa*. Mozambique's telecoms sector grew 11% in 2016, according to figures released by the communications regulatory authority;

28 Dec 2017 **Maputo (Mozambique)** *Xinhua*. **World Bank** reports that Mozambique's economy slowing to modest growth.

⁴³ Club of Mozambique, 9 Jan 2018.

⁴⁴ Club of Mozambique, 9 Jan 2018.

⁴⁵ Club of Mozambique, 9 Jan 2018.

⁴⁶ Club of Mozambique, 9 Jan 2018.

About Africa Risk Consulting:

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