

## AFRICA RISK CONSULTING

### Mozambique Monthly Briefing May 2021

#### Mozambique Summary 6 May 2021

*A Southern African Development Community (SADC) technical mission proposes military intervention to deal with the violent insurgency in Cabo Delgado province. A SADC extraordinary troika summit to consider the proposal is delayed until further notice. France-based oil major Total SA declares “force majeure” on its LNG projects in Cabo Delgado, suspending its contracts for “at least a year”. Standard Bank Mozambique’s latest Purchasing Managers Index (PMI) rates business confidence at a 16-month high. Namibia-based Southern African press organisation Media Institute of Southern Africa (MISA) warns that press freedom is under threat in Mozambique, echoing a report by international human rights organisation Reporters Without Borders. The number of active Covid-19 cases in Mozambique continues to drop as the government extends the second phase of its vaccination programme until 7 May.*

#### SADC proposes military intervention in Cabo Delgado...

The **Southern African Development Community (SADC)** is proposing military intervention to respond to the continuing violent insurgency in **Mozambique’s** northern resource-rich **Cabo Delgado Province**. Following an **Extraordinary Troika Summit** on 8 April, SADC sent a technical mission team to Mozambique from 15-21 April,<sup>1</sup> which has proposed the deployment of 2,916 troops within three light infantry battalions.<sup>2</sup> Speaking at the extraordinary ministerial meeting of the SADC Organ Troika on 28 April to consider the technical team’s report, SADC’s Organ on Politics, Defence and Security Cooperation chairperson, **Lemogang Kwape**, expressed concern that the attacks will spread to other provinces in Mozambique and the entire region:

*“Therefore, the sooner we respond collectively, the less likely that these barbaric acts of terrorism will continue to destabilise our Region. We commend and recognise the important role played by our cooperating partners in assisting to find a long lasting solution to this problem.”<sup>3</sup>*

At the signing ceremony on 28 April of a **World Bank**-supported emergency plan worth \$100m to deal with Mozambique’s humanitarian crisis, President Nyusi claimed that the **Forças de Defesa e Segurança (FDS)** (Mozambican defence and security forces) have a plan to defeat the violent insurgency and that the government will decide what foreign support will best assist the implementation of that plan.<sup>4</sup> A SADC extraordinary troika summit including Mozambique, scheduled for 29 April, has been postponed until further notice.<sup>5</sup> At the meeting, **South Africa’s** President **Cyril Ramaphosa** (2018-present), **Botswana’s** President **Mokgweetsi Masisi** (2018-present) and **Zimbabwe’s** President **Emmerson Mnangagwa** (2017-present), together with President **Filipe Nyusi** (2019-present), will decide on whether to accept or reject the recommendation of a SADC military intervention.<sup>6</sup>

The violent conflict in Cabo Delgado began in October 2017, but the recent attack on the city of **Palma** on 24 March, which left more than a dozen international citizens dead, has led to increased international response (see *ARC Briefing Mozambique April 2021*). Fires and burning buildings in

<sup>1</sup> SADC, 8 Apr 2021

<sup>2</sup> Daily Maverick, 27 Apr 2021

<sup>3</sup> SADC, 29 Apr 2021

<sup>4</sup> Lusa, 28 Apr 2021

<sup>5</sup> SADC, 28 Apr 2021

<sup>6</sup> Daily Maverick, 27 Apr 2021

Palma were reported on 26 and 27 April, and insurgent groups have targeted civilians trying to escape to **Tanzania**.<sup>7</sup> Civilians continue to flee to Mozambique's northern neighbour despite Tanzanian forces deporting many of the refugees back to the **Negomano** border post in Mozambique's **Mueda** district.<sup>8</sup> On 30 April, insurgent groups in Cabo Delgado attacked the villages of **Pangane** and **Chai** in **Macomia** district south of Palma, kidnapping and beheading civilians.<sup>9</sup>

The conflict has displaced more than 700,00 people in Cabo Delgado province. The **International Organisation for Migration (IOM)** had registered 38,062 people displaced from Palma as of 4 May<sup>10</sup> and expects many more people to flow into the provincial capital, **Pemba**, whose population has more than doubled to 400,000 as villagers seek safety.<sup>11</sup> According to the **United States (US)**-based **Armed Conflict Location & Event Data Group (ACLED)**, which tracks the conflict weekly, the conflict has claimed 2,821 lives so far.

### Total shuts down for "at least a year" ...

The violence in Cabo Delgado is having a negative impact on Mozambique's liquefied natural gas (LNG) prospects. **France**-based oil major **Total SA** on 26 April declared "*force majeure*" due to the security situation in Cabo Delgado, relieving the company of obligations, liabilities and responsibilities under its LNG contract until further notice.<sup>12</sup> The force majeure does not result in cancellation of contracts but instead suspends them until the security issues are "*solved*". Total's statement noted:

*"Total expresses its solidarity with the government and people of Mozambique and wishes that the actions carried out by the government of Mozambique and its regional and international partners will enable the restoration of security and stability in Cabo Delgado province in a sustained manner."*

Total's chief financial officer, **Jean-Pierre Sbraire**, stated during an analyst call with **United Kingdom (UK)**-based energy information company **S&P Global Platts** on 29 April that the Mozambique LNG project will be delayed by "*at least a year*" because of the "*very serious*" security situation in Cabo Delgado.<sup>13</sup> The Total-led LNG project at **Afungi**, worth \$20 billion and expected to produce 13.1 million tonnes per year (mtpa), had hoped to start producing LNG from 2024, but this is now pushed back to 2025.<sup>14</sup>

Total's withdrawal raises concerns among Mozambican businesses that had contracts with Total or were hoping to revive business on the back of the LNG projects.<sup>15</sup> According to US-based news service **Bloomberg**, Total has already terminated contracts with local businesses and contractors.<sup>16</sup> **Confederação das Associações Económicas de Moçambique (CTA)** (confederation of economic associations) president **Agostinho Vuma** noted at a press conference on 21 April that small and medium-sized local enterprises (SMEs) have lost \$90m following the attack on Palma in March.<sup>17</sup> According to the CTA, at least two contracts with local businesses have been suspended due to the shutdown of Total's LNG project.

Speaking at a press conference after the **Assembleia da República** (assembly of the republic) on 22 April, mineral resources and energy minister **Max Tonela** said Total will maintain the "*main*

<sup>7</sup> ACLED, 4 May 2021

<sup>8</sup> ACLED, 4 May 2021

<sup>9</sup> ACLED, 4 May 2021

<sup>10</sup> IOM, 4 May 2021

<sup>11</sup> Bloomberg, 21 Apr 2021

<sup>12</sup> Total, 26 Apr 2021

<sup>13</sup> S&P Global Platts, 29 Apr 2021

<sup>14</sup> S&P Global Platts, 29 Apr 2021

<sup>15</sup> Bloomberg, 21 Apr 2021

<sup>16</sup> Bloomberg, 21 Apr 2021

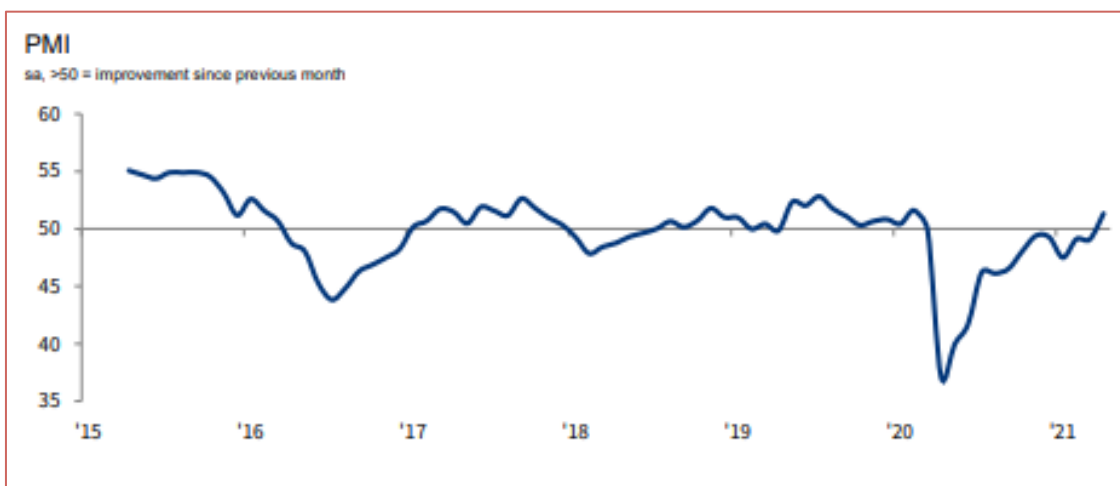
<sup>17</sup> Bloomberg, 21 Apr 2021

contracts” for the LNG projects in Cabo Delgado.<sup>18</sup> Tonela said only contracts with “subcontracted companies” are being cancelled, but that these are easy to re-mobilise once the project is resumed.<sup>19</sup>

At the opening ceremony of the **7<sup>th</sup> Mozambique Mining, Oil & Gas and Energy Conference (MMEC)** 2021 on 21 April, President Nyusi vowed to restore peace in Cabo Delgado, reiterating that the LNG projects are expected to generate 70,000 formal jobs starting in 2022. Nyusi said the government foresees “direct benefits” of more than \$100 billion, which will be distributed so as to benefit every citizen in the country.<sup>20</sup> However, the **International Monetary Fund (IMF)** has scaled back its forecast for Mozambique’s 2021 economic growth to 2.1%, from 38% projected in January 2016.<sup>21</sup>

### ... but business confidence is at a 16-month high

Despite Mozambique’s deteriorating security situation, business confidence is at a 16-month high. **Standard Bank Mozambique’s** latest **Purchasing Managers Index (PMI)**, published on 5 May, signals the first improvement in business conditions since **Covid-19**-related restrictions imposed in March 2020 impacted the country, with private sector firms seeing an increase in both new orders and output in April this year.<sup>22</sup> The increase in business confidence reflects optimism that decreasing Covid-19 cases and the rollout of Mozambique’s vaccination programme (see below) will see a revival in economic activity.



Source: Standard Bank Mozambique, accessed 5 May 2021

In a bid to reverse depreciation of Mozambique’s currency, the metical, the **Banco de Moçambique** (central bank) announced on 3 May that it would inject \$60m of its international reserves into the economy over the following two weeks.<sup>23</sup> The initiative follows a 3.8% depreciation of the metical after it appreciated significantly between February and April, when it was the best performing currency worldwide as mining activities gained traction.<sup>24</sup> Bloomberg reports that the metical has risen the most against the US dollar over the last few weeks, but importers are struggling to access foreign currency in a market flooded with US dollars.<sup>25</sup> Standard Bank Mozambique predicts that the metical will depreciate by a further 13.8% by the end of 2021.<sup>26</sup>

<sup>18</sup> Lusa, 23 Apr 2021

<sup>19</sup> Lusa, 23 Apr 2021

<sup>20</sup> Club of Mozambique, 21 Apr 2021

<sup>21</sup> Bloomberg, 21 Apr 2021

<sup>22</sup> Standard Bank Mozambique, 5 May 2021

<sup>23</sup> Lusa, 3 May 2021

<sup>24</sup> Bloomberg, 6 Apr 2021

<sup>25</sup> Bloomberg, 6 Apr 2021

<sup>26</sup> Club of Mozambique, 4 May 2021

### ... as press freedom declines ...

Along with Mozambique's growing security problems, the country is seeing a deterioration in press freedom. The Mozambican chapter of the Namibia-based **Southern African** press organisation, **Media Institute of Southern Africa (MISA)**, warns in its **Southern African Press Freedom Report 2019-2020**, released on 1 April, that press freedom is under threat in Mozambique.<sup>27</sup> The MISA report states that Covid-19-related restrictions and the violence in Cabo Delgado have contributed to the deterioration of journalists' working conditions, and that "*journalists work in a climate of fear, insecurity and risk*" amid violations of press freedoms.<sup>28</sup>

MISA's spotlight on shrinking press freedom echoes the findings of international human rights organisation **Reporters Without Borders**. In its **World Press Freedom Index 2021**, published on 1 April, Reporters Without Borders has lowered Mozambique's ranking by four places since 2020 to 108<sup>th</sup> out of 180 countries, where first position represents the freest press and 180 the least free (see below).<sup>29</sup> The index scores countries from 1 to 100 based on their level of pluralism, media independence, environment and self-censorship, legislative framework, transparency, infrastructure and abuses. The report notes that Mozambique's 2019 presidential election "*confirmed the ruling party's grip on most of the media*" and that accessing Cabo Delgado and the north of the country is currently "*virtually impossible without risking arrest*".<sup>30</sup>

In a public statement to mark World Press Freedom Day on 3 May, President Nyusi noted that freedom of the press is fundamental for democracy and that its commemoration should promote transparency.<sup>31</sup> The president did not respond to the Reporters Without Borders or MISA reports, but instead focused on the Covid-19 pandemic:

*"In a context when the world is assailed by the Covid-19 pandemic, press freedom takes on greater relevance, because people do not need only to be informed of the evolution of the pandemic, but also must be educated to adopt responsible behaviour."*<sup>32</sup>

During the **United Nations (UN) Universal Periodic Review (UPR)** of Mozambique's compliance with human rights in **Geneva (Switzerland)** on 4 May, several countries recommended that Mozambique do more to promote and defend freedom of the press.<sup>33</sup> Mozambique's justice minister, **Helena Kida**, responded that that Mozambique has given access to international and national media to report on the conflict in Cabo Delgado, but that the insecurity of the area imposes limits.<sup>34</sup>

Mozambique ranks more favourably than most of its neighbours in terms of Reporters Without Borders' press freedom rating. Only **Malawi** (62/180) and South Africa (32/180) scored better than Mozambique. Mozambique has seen the highest increase in the global score (+1.60), after **Zimbabwe** (+2.17).<sup>35</sup>

<sup>27</sup> MISA, 30 Apr 2021

<sup>28</sup> MISA, 30 Apr 2021

<sup>29</sup> Reporters without borders, 1 Apr 2021

<sup>30</sup> Reporters without borders, 1 Apr 2021

<sup>31</sup> AIM, 5 May 2021

<sup>32</sup> AIM, 5 May 2021

<sup>33</sup> UN Web, 4 May 2021

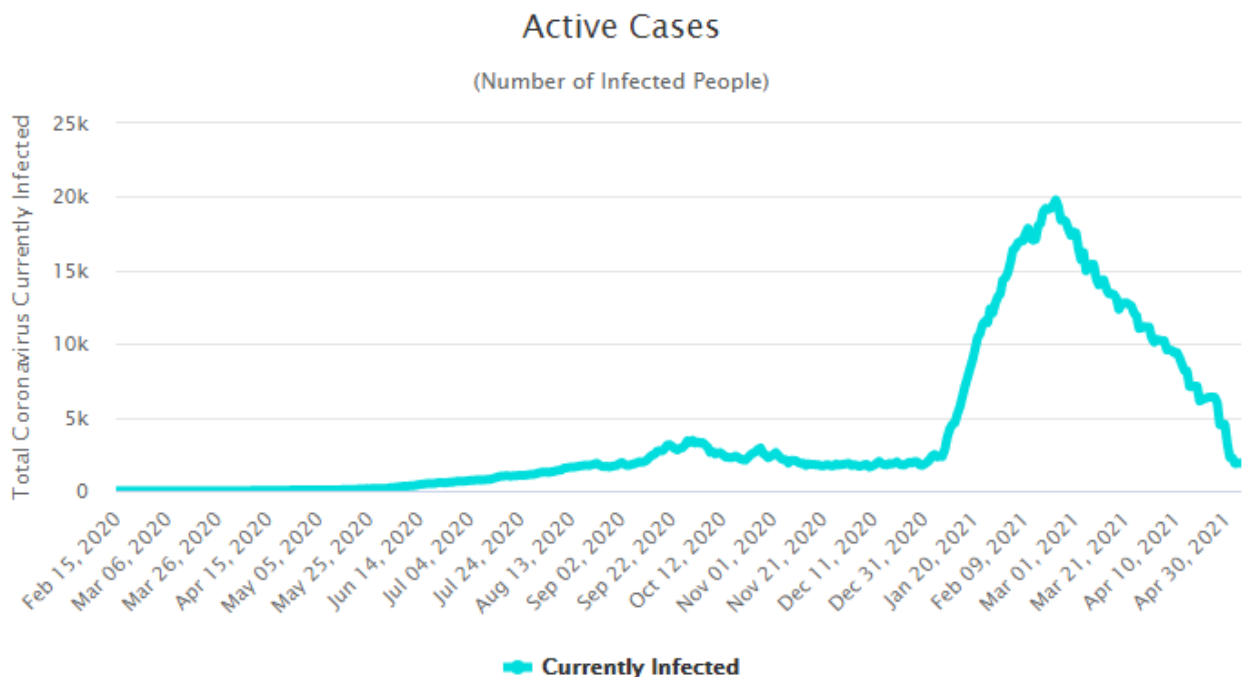
<sup>34</sup> UN Web, 4 May 2021

<sup>35</sup> Reporters without borders, 1 Apr 2021

| Press Freedom Index <sup>36</sup>       |          |        |            |              |          |        |          |
|---|----------|--------|------------|--------------|----------|--------|----------|
|   | Eswatini | Malawi | Mozambique | South Africa | Tanzania | Zambia | Zimbabwe |
| <b>Ranking</b><br>(out of 180)          | 141      | 62     | 108        | 32           | 124      | 115    | 130      |
| Change since 2020                       | 0        | +7     | -4         | -1           | 0        | +5     | -4       |
| <b>Score</b><br>(max 100) <sup>37</sup> | 46.34    | 28.80  | 35.39      | 21.59        | 40.69    | 38.21  | 43.12    |
| Change since 2020                       | +1.19    | -0.52  | +1.60      | -0.82        | +0.44    | +1.21  | +2.17    |

... and active Covid-19 cases drop

Mozambique has seen a significant drop in active cases of Covid-19 since cases peaked at 19,781 on 22 February. The health ministry recorded 31 new cases of Covid-19 on 4 May, bringing the cumulative total of confirmed cases to 70,031 in the population of approximately 32 million. Covid-19 related deaths reached 817 on 4 May, while 67,342 or 96.2% of all those diagnosed with the virus have recovered. Of the remaining 1,867 active cases, 70% (1,302) are in **Maputo City** and **Maputo Province**.<sup>38</sup> The government claims to have tested 522,290 people for the coronavirus thus far,<sup>39</sup> 1.7% of the total population.<sup>40</sup>



Source: Worldometer, accessed 6 May 2021

Mozambique is continuing its vaccination programme against Covid-19. Deputy national public health director **Benigna Matsinhe** announced on 3 May that the health ministry was extending the second

<sup>36</sup> Reporters without borders, 1 Apr 2021

<sup>37</sup> The highest score given is to Eritrea with 81.45, ranked as the 180<sup>th</sup> country.

<sup>38</sup> AIM, 5 May 2021

<sup>39</sup> AIM, 5 May 2021

<sup>40</sup> Worldometer Covid-19, 6 May 2021

phase of its vaccination campaign against Covid-19 until 7 May and would include media professionals as one of the target groups.<sup>41</sup> The second phase targets primary school teachers, students on health courses, prison inmates and staff, and people with diabetes and chronic renal, heart and respiratory diseases who were not vaccinated in the first phase.<sup>42</sup>

Matsinhe announced on 19 April that Mozambique hopes to receive a further 2.6 million doses of Covid-19 vaccines by the end of May.<sup>43</sup> Mozambique has received 684,000 doses of Covid-19 vaccine, donated by the governments of **China** and **India**, and the **World Health Organisation (WHO) Covax** initiative, working to ensure that vaccines are available for “*low to middle income countries*”.<sup>44</sup> Despite the decrease in active cases and the rollout of the vaccination programme, the health ministry is urging the Mozambican population to continue to be cautious and observe preventive measures such as wearing face masks in public, social distancing and avoiding crowds.<sup>45</sup> Travel restrictions to Mozambique include the requirement of a proof of a negative PCR test on arrival.<sup>46</sup> Obtaining a visa in advance is highly recommended.

## Planner

TBA **Maputo (Mozambique) Southern African Development Community** Troika summit on Mozambique security situation;

2023 **(Mozambique)** Local elections;

2024 **(Mozambique)** Provincial and presidential elections;

2025 **(Mozambique) Area 1** LNG production expected to commence;

## Chronology

5 May 2021 **Maputo (Mozambique) Standard Bank Mozambique**. Output has risen for the first time since **Covid-19** pandemic began, according to the latest **Purchasing Managers Index (PMI)**;

29 Apr 2021 **Maputo (Mozambique) S&P Global**. France-based oil major **Total**'s chief financial officer, **Jean-Pierre Sbraire**, says the **Mozambique** LNG project will be delayed by at least a year due to the security situation in **Cabo Delgado Province**;

28 Apr 2021 **Gaborone (Botswana) Mmegi**. President **Mokgweetsi Masisi** goes into self-quarantine after staff member tested positive for **Covid-19**, and will miss the **Southern African Development Community (SADC)** meeting on **Mozambique** security issues;

28 Apr 2021 **Maputo (Mozambique) Reuters**. Government says it plans to invest over \$1 billion in northern **Mozambique** and will create a special unit in the attorney general's office to investigate and prosecute cases of terrorism;

28 Apr 2021 **Maputo (Mozambique) eNCA**. **World Bank** grants \$100m to a three-year \$700m emergency recovery project in northern **Mozambique**;

27 Apr 2021 **(Africa) News24**. **United Nations Economic Commission for Africa** says the slow **Covid-19** vaccine rollout may set **Africa** back five years and unleash new strains;

27 Apr 2021 **(Southern Africa) News24**. A special report by the head of the **Southern African Development Community's Standby Force** recommends deployment of a 3,000 person military force in northern **Mozambique**;

<sup>41</sup> MISAU, 3 May 2021

<sup>42</sup> MISAU, 3 May 2021

<sup>43</sup> AIM, 20 Apr 2021

<sup>44</sup> AIM, 20 Apr 2021

<sup>45</sup> MISAU, 3 May 2021

<sup>46</sup> US Embassy in Mozambique, 5 May 2021

27 Apr 2021 **Cabo Delgado (Mozambique)** *Upstream Online*. France-based oil major **Total** says it will only return to work at **Afungi** in **Cabo Delgado** province when the Mozambique government puts in place permanent solutions to restore security and stability;

26 Apr 2021 **Maputo (Mozambique)** *Times Live*. France-based energy group **Total** declares *force majeure* on its **Mozambique** LNG project and withdraws all personnel from the **Afungi** site;

21 Apr 2021 **Maputo (Mozambique)** *Reuters*. President **Filipe Nyusi** vows at an oil and gas conference to work to restore peace in **Mozambique**, and particularly **Cabo Delgado** province, after a deadly militant attack in March;

13 Apr 2021 **Maputo (Mozambique)** *News24*. **World Food Programme** says it needs \$82m to assist in northern **Mozambique** as 950,000 people face severe hunger after hundreds of thousands fled **Islamist** militants;

12 Apr 2021 **(Southern Africa)** *Business Day*. **Southern African Development Community (SADC)** to send technical team to **Mozambique** to assess threat posed by **Islamist** militants, following a meeting by regional leaders;

8 Apr 2021 **(Southern Africa)** *eNCA*. **Southern Africa's** regional bloc, **Southern African Development Community (SADC)**, vows a "proportionate" response to jihadists who last month raided a key town in northern **Mozambique** in a sharp escalation of a three-year-old insurgency;

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