

## AFRICA RISK CONSULTING

### Mozambique Monthly Briefing June 2021

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#### Mozambique Summary 9 June 2021

*Insecurity in Mozambique's Cabo Delgado Province continues amid uncertainty over regional intervention to address the conflict. Rwanda, South Africa, Portugal, the United States and the Southern African Development Community (SADC) have offered assistance. An Institute for Security Studies (ISS) report claims that regional support from SADC is a good start, but "much more" is needed to stabilise the region. The Instituto Nacional de Estatística (INE) (national institute for statistics) reports that gross domestic product (GDP) grew by 0.12% in the first quarter of 2021, signaling the first quarter of growth after three quarters of Covid-19-induced decline. The government and corporate partners sign technical and commercial agreements for the Temane Gas and Energy Projects in Inhambane Province, with construction set to commence in the second half of 2021. France-based hydrocarbons company Total SA CEO Patrick Pouyanné says the company remains committed to Mozambique and will return when the security situation improves. The number of active Covid-19 cases increases slightly and the government is experiencing a shortage of Covid-19 vaccines.*

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#### Uncertainties persist over Cabo Delgado intervention...

Rwanda, South Africa, Portugal and the United States (US) have shown interest in intervening in the conflict in Mozambique's Cabo Delgado province, which has claimed the lives of at least 2,868 people and displaced over 732,000.<sup>1</sup> The Southern African Development Community (SADC) has also offered its assistance, but President Filipe Nyusi (2019-present) and his government have yet to decide on the way forward.

In a meeting involving intelligence heads and high commissioners from their two countries, Rwanda has proposed that it work together with South Africa to respond to the insecurity in Cabo Delgado.<sup>2</sup> Rwanda's foreign affairs minister, Vincent Biruta, visited South Africa's international relations and cooperation minister, Naledi Pandor, on 4 June to discuss possible cooperation to deal with conflicts on the continent such as that in Mozambique.<sup>3</sup> In an interview with Reuters on 21 May, Pandor described the conflict as "a threat to the region" and said South Africa is ready to support a SADC defence pact to intervene in Mozambique.<sup>4</sup> President Nyusi had met with Rwanda's President Paul Kagame (2000-present) on 28 April in Kigali, discussing Rwanda's experience in combating terrorism and potential support to deal with the violence in Cabo Delgado.<sup>5</sup> By 8 May, Kagame had sent a team of army officers to Mozambique to assess the situation.<sup>6</sup> Nyusi has yet to comment on the possible intervention of a joint Rwanda-South Africa operation.

SADC held a double Extraordinary Troika Summit in Maputo on 27 May to address the continuing violence in the region as well as SADC's proposed response,<sup>7</sup> which a SADC technical team in April suggested should include the deployment of about 3,000 soldiers (see ARC Briefing Mozambique May 2021). The latest meeting did not result in formulating a specific response to the conflict in Cabo

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<sup>1</sup> ACLED, 8 Jun 2021

<sup>2</sup> News24, 5 Jun 2021

<sup>3</sup> News24, 5 Jun 2021

<sup>4</sup> Reuters, 21 May 2021

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

<sup>6</sup> Africa Intelligence, 13 May 2021

<sup>7</sup> SADC, 27 May 2021

Delgado, but instead a new extraordinary summit will take place on 20 June.<sup>8</sup> Speaking at the closing of the summit, President Nyusi said that SADC had agreed upon a “*comprehensive and multifaceted response*” to the terrorism in Cabo Delgado and “*adopted measures*” to strengthen the operational capacity of the **Forças de Defesa e Segurança (FDS)** (Mozambican defence and security forces) through increased border security and rebuilding infrastructure.<sup>9</sup> South Africa’s President **Cyril Ramaphosa** (2018-present) told South Africa-based news agency **SABC News** on 27 May that SADC is prepared to assist Mozambique to fight the insurgency, without specifying the nature of SADC’s assistance.<sup>10</sup>

Contrary to South Africa’s response, **Tanzania’s** foreign affairs minister, **Liberata Mulamula**, has stated that Tanzania will not send troops to Mozambique.<sup>11</sup> Mulamula commented during the opening ceremony of US-based international cooperation organisation **Centre of International Policy (CIP)**-coordinated discussions about Cabo Delgado in **Dar es Salaam** (Tanzania) on 28 May.

Portugal and the US and have both ramped up cooperation with Mozambique. The governments of Portugal and Mozambique signed a five-year military cooperation agreement on 10 May, which includes Portugal-backed training of Mozambican personnel.<sup>12</sup> Portugal sent a 60-strong training mission for the Mozambican special forces following the attack on **Palma** on 24 March (see *ARC Briefing Mozambique April 2021*), and confirmed on 10 May that it would increase the number of Portuguese personnel in the country fourfold.<sup>13</sup> Speaking at the signing of the agreement, Portugal’s defence minister, **João Gomes Cravinho**, described the attacks in Mozambique as a “*suffering that the international community must take on*”.<sup>14</sup> As part of the partnership between the US and Mozambique, the US-supported **Tactical Combat Casualty Care (TCCC)** and **Combat Lifesaver (CLS)** courses trained 40 Mozambican soldiers and medical practitioners at the beginning of June.<sup>15</sup>

An **Institute for Security Studies (ISS)** report on the Cabo Delgado conflict published on 27 May states that regional support from SADC is a good start, but that “*much more*” is needed to stabilise the region:

*“The insurgency can stir up age-old social problems, ethnic rivalry and longstanding dissatisfaction among Mozambicans towards [the ruling] **FRELIMO** [party]. While Southern African Development Community (SADC) members and other countries can help Mozambique, they cannot fix the problem.”<sup>16</sup>*

### ... amid positive economic news ...

Business optimism in Mozambique is strong, despite the recent halt in the country’s liquefied natural gas (LNG) projects as a result of insecurity in Cabo Delgado. **Standard Bank Mozambique’s** latest **Purchasing Managers Index (PMI)**, published on 3 June, finds that businesses continue to recover from the impact of the **Covid-19** pandemic.<sup>17</sup> PMI readings were 51.2 in May and 51.3 in April, where readings above 50 signal improvement in business conditions on the previous month.<sup>18</sup> Employment numbers increased for the first time in four months, and expectations for future output are at a 17-month high.

The **Instituto Nacional de Estatística (INE)** (institute for national statistics) reported on 31 May that Mozambique’s gross domestic product (GDP) grew 0.12% in the first quarter of 2021, compared to

<sup>8</sup> Lusa, 27 May 2021

<sup>9</sup> Lusa, 27 May 2021

<sup>10</sup> SABC news, 27 May 2021

<sup>11</sup> The Citizen Tanzania, 28 May 2021

<sup>12</sup> AFP, 10 May 2021

<sup>13</sup> AFP, 10 May 2021

<sup>14</sup> AFP, 10 May 2021

<sup>15</sup> US Embassy in Mozambique, 7 Jun 2021

<sup>16</sup> ISS, 27 May 2021

<sup>17</sup> Standard Bank Mozambique, 3 Jun 2021

<sup>18</sup> Standard Bank Mozambique, 3 Jun 2021

the same period in 2020.<sup>19</sup> This was the first quarter of growth following three quarters of decline, mainly due to the impacts of the pandemic, and Mozambique's GDP fell 1.3% in 2020.<sup>20</sup> President Nyusi said on 13 May that Mozambique's economy is expected to grow by 1.5% in 2021 and 2.8% in 2022.<sup>21</sup> However, these predictions were based on the last quarter of 2020, and may be less optimistic following the insurgency attack on **Palma** in April and the subsequent withdrawal of **France**-based hydrocarbons company **Total SA** (see below and *ARC Briefing Mozambique May 2021*).<sup>22</sup>

However, US-based credit rating company **Moody's** stated on 31 May that Mozambique is at risk of financial "default" in 2024 should gas production be further delayed.<sup>23</sup> Sovereign risk analysis group director **Marie Diron** said the delay in expected revenue from the LNG projects is compromising the payment of debt securities.<sup>24</sup> The debts have been secured on the basis of expected LNG revenues estimated at more than \$100 billion (see *ARC Mozambique Briefing May 2021*).

In a survey published on 3 June, with the support of the **World Bank** and the **United Nations (UN) Food and Agriculture Organisation (FAO)**, the INE forecasts the agriculture sector to grow by 8% this year.<sup>25</sup> Agriculture minister **Celso Correia** said Mozambique is aiming to become "self-sufficient in agricultural production".<sup>26</sup> The INE study found that only 0.6% of farmers have access to bank credit, but that access to detailed price information has increased significantly in the last four years, currently reaching 39.9% of producers compared to 18.4% in 2017.<sup>27</sup> In 2019, agriculture contributed to 24% of Mozambique's GDP.<sup>28</sup>

### ... as government signs Inhambane gas deal...

The Mozambique government and its corporate partners signed technical and commercial agreements for the **Temane Gas and Energy Projects** in the southern province of **Inhambane** on 31 May, with construction work set to start by the second half of 2021.<sup>29</sup> The first of the three projects is the exploration of additional gas fields next to the **Temane** and **Pande** fields. This is led by South Africa-based petrochemical company **Sasol** in partnership with Mozambique's state-owned hydrocarbons company, **Empresa Nacional de Hidrocarbonetos (ENH)**.

The second project is the **Temane Thermal Power Station**, estimated to produce 450 megawatts (MW) and worth \$1 billion.<sup>30</sup> This project is led by **Norway** and UK-supported institution **Globeleq**, working with Mozambique's state-owned electricity company, **Electricidade de Moçambique (EDM)**, and **Sasol**. The third project is the 650-km **Temane-Maputo** power line, which will be high voltage of 400 kilovolt (KV). The power line will be fully owned by EDM.<sup>31</sup>

Speaking at the signing of the contracts on 31 May, President Nyusi said the agreements are part of the **Energía para Todos** (energy for all) project, supported by the World Bank, the US, Norway, the **African Development Bank (AfDB)**, the **Islamic Bank** and **The OPEC Fund for International Development**, aiming to ensure electricity to every Mozambican household by 2030.<sup>32</sup>

<sup>19</sup> Lusa, 1 Jun 2021

<sup>20</sup> Lusa, 1 Jun 2021

<sup>21</sup> Reuters, 14 May 2021

<sup>22</sup> Lusa, 1 Jun 2021

<sup>23</sup> Lusa, 31 May 2021

<sup>24</sup> Lusa, 31 May 2021

<sup>25</sup> Club of Mozambique, 7 Jun 2021

<sup>26</sup> Club of Mozambique, 7 Jun 2021

<sup>27</sup> Club of Mozambique, 7 Jun 2021

<sup>28</sup> World Bank Data, accessed 8 Jun 2021

<sup>29</sup> AIM, 1 Jun 2021

<sup>30</sup> Reuters, 1 Jun 2021

<sup>31</sup> AIM, 1 Jun 2021

<sup>32</sup> AIM, 1 Jun 2021

### ... and Total says it will be back

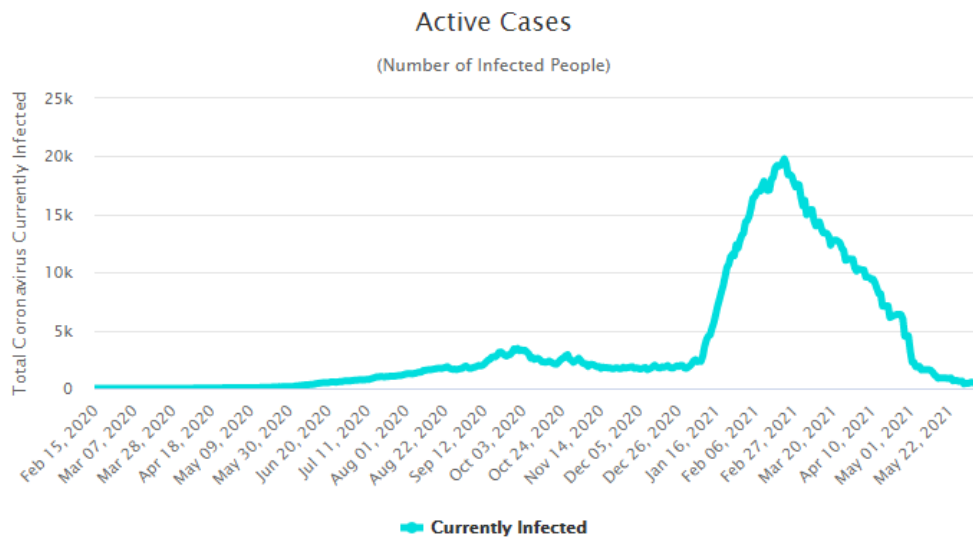
Speaking to Mozambican journalists after meeting with President Nyusi on 17 May, Total CEO **Patrick Pouyanné** said the company remains committed to Mozambique. After Total declared “*force majeure*” on 26 April due to the security situation in Cabo Delgado (see above) and withdrew its staff from Cabo Delgado (see *ARC Briefing Mozambique May 2021*),<sup>33</sup> speculation was rife that Total would not return to Mozambique and its LNG operation in **Area 4**. Total’s hiring of France-based subcontractor **TechnipFMC** to dismantle its project at **Afungi** further fuelled rumours that Total would not be back in Cabo Delgado for some time.<sup>34</sup> Pouyanné noted:

*“We are going to return, and we have full confidence that the Government of Mozambique is working towards, and will be able to restore, security, and we will be there.”*<sup>35</sup>

After meeting with **Nampula** province governor **Manuel Rodrigues** on 2 June, the head of economic services at the French embassy in Mozambique, **Pierre Sejoune**, said France will maintain support and even expand bilateral cooperation with Mozambique in the coming years.<sup>36</sup> Sejoune said France has an “*important interest in Mozambique for the future*”.<sup>37</sup> President Nyusi also met with France’s President **Emmanuel Macron** (2017-present) on 18 May during the **France-Africa Summit in Paris** as relations between the two countries appear to remain strong.<sup>38</sup>

### Covid-19 third wave expected

Mozambique is seeing an increase in active Covid-19 cases, with 639 active cases on 8 June compared to 467 active cases on 1 June. As of 8 June, Mozambique has registered 72,165 cases of coronavirus in its population of approximately 32 million, with 69,687 recoveries and 839 Covid-19-related deaths.<sup>39</sup> After three consecutive days of no Covid-related deaths between 4 and 6 June,<sup>40</sup> two were recorded on 7 and 8 June respectively.



Source: Worldometer, accessed 8 June 2021

Despite the continued low cases, President Nyusi warned on 26 May that the “*pandemic is far from over*” amid concern that Mozambique will move towards a third wave in under two months following

<sup>33</sup> Voa Portugues, 18 May 2021

<sup>34</sup> Africa Intelligence, 11 May 2021

<sup>35</sup> Voa Portugues, 18 May 2021

<sup>36</sup> RFI, 3 Jun 2021

<sup>37</sup> RFI, 3 Jun 2021

<sup>38</sup> Foreign Policy, 26 May 2021

<sup>39</sup> Worldometer, 8 Jun 2021

<sup>40</sup> Club of Mozambique, 6 Jun 2021

the current wave in South Africa.<sup>41</sup> Nyusi announced a slight easing of restrictions, with curfew shortened to 11pm-4am, restaurants allowed to stay open until 9pm, and access to beaches and swimming permitted. The validity of expired documents is extended until 30 June and the issue of business and work visas resumes.

The World Bank on 3 June approved a \$115m grant to Mozambique to expand its vaccination programme, with \$100m from the **International Development Association (IDA)** and \$15m from the **Global Financing Facility (GFF)**.<sup>42</sup> The funding is expected to support the purchase of roughly seven million doses of Covid-19 vaccines, which would cover approximately 20% of the eligible population.<sup>43</sup> The news comes after deputy national director of public health **Benigna Matsinhe** announced on 2 June that the shortages of vaccines due to delays in arrival may compromise the vaccination programme and timelines.<sup>44</sup> The delays are due to the **World Health Organisation (WHO)**-led **Covax** initiative vaccines being held up as **India** deals with its Covid-19 catastrophe. Matsinhe said the Covax vaccines could arrive in Mozambique in September.<sup>45</sup> To date, Mozambique has vaccinated 323,097 people against Covid-19 and 240,000 have received their first dose.<sup>46</sup>

## Planner

20 June 2021 **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

6 Jun 2021 **Harare (Zimbabwe)** *Club of Mozambique*. Mozambique's President **Filipe Nyusi** visits **Zimbabwe** at the invitation of President **Emmerson Mnangagwa**, with both presidents agreeing to reinstate the **Joint Permanent Commission**, an agreement for periodic high-level conferences on matters of mutual interest;

3 Jun 2021 **Maputo (Mozambique)** *Africanews*. Botswana's President **Mokgweetsi Masisi** says regional body **Southern African Development Community (SADC)** will hold a Special Extraordinary Summit in **Maputo** on 20 June to address the security situation in **Cabo Delgado**;

2 Jun 2021 **(France)** *CNBC Africa*. **French** public investment bank **Bpifrance** plans to more than double its annual lending in **Africa** over the next three years, and expects to make €1.5 billion (\$1.83 billion) in new investments for Africa.

31 May 2021 **Maputo (Mozambique)** *Business Day*. Mozambique begins construction of gas-to-power plant and transmission line projects worth \$1 billion in **Inhambane**, as the government aims to boost energy supply;

29 May 2021 **Maputo (Mozambique)** *Macau Business*. **France's** President **Emmanuel Macron** says France is available to help if **Mozambique** allows the **Southern African Development Community** to intervene in **Cabo Delgado**;

27 May 2021 **Maputo (Mozambique)** *Business Day*. President **Filipe Nyusi** and regional body

<sup>41</sup> Club of Mozambique, 3 Jun 2021

<sup>42</sup> World Bank, 3 Jun 2021

<sup>43</sup> World Bank, 3 Jun 2021

<sup>44</sup> Club of Mozambique, 2 Jun 2021

<sup>45</sup> Club of Mozambique, 2 Jun 2021

<sup>46</sup> Club of Mozambique, 2 Jun 2021

**Southern African Development Community** say they will work together to shore up **Mozambique's** security forces, including enhancing border security and targeting insurgents' funding sources, but make no mention of proposals for a military intervention;

27 May 2021 **Maputo (Mozambique)** *Africa Intelligence*. **United States** quietly increases security cooperation with **Maputo**, reportedly by beefing up the embassy's security advisory team with the help of private service providers;

26 May 2021 **Maputo (Mozambique)** *Daily Maverick*. Regional leaders to meet **Mozambique's** President **Filipe Nyusi** in **Maputo** on 27 May to try to persuade him to allow a **Southern African Development Community (SADC)** force to intervene in **Cabo Delgado**;

21 May 2021 **Maputo (Mozambique)** *Bloomberg*. **French** billionaire **Iskandar Safa** and his shipbuilding company, **Prinvest**, win a **London (United Kingdom)** court ruling over their roles in a \$2 billion loan to finance a fishing fleet, allowing them to try to hold President **Filipe Nyusi** legally responsible for any damages if payments made to Nyusi were found to be bribes;

19 May 2021 **(Africa)** *Reuters*. **France's** President **Emmanuel Macron** says a summit in **Paris** on **Africa** financing has agreed to work towards persuading rich nations to reallocate \$100 billion in **International Monetary Fund (IMF)** special drawing rights monetary reserves to African countries by October;

19 May 2021 **(Africa)** *Africanews*. **World Bank** announces it will invest \$2 billion to support medium and small businesses in **Africa** and boost trade in the region as it recovers from the **Covid-19** downturn;

18 May 2021 **Maputo (Mozambique)** *Bloomberg*. **South Africa** state security minister **Ayanda Dlodlo** says the **Southern African Development Community** has the political and military will to intervene in northern **Mozambique**, if invited;

18 May 2021 **Dar es Salaam (Tanzania)** *UNHCR*. **UN Refugee Agency** says it is deeply concerned by ongoing reports of people fleeing **Mozambique's** volatile **Cabo Delgado** province being forcibly returned after crossing into **Tanzania**;

17 May 2021 **Paris (France)** *France24*. **France's** President **Emmanuel Macron** hosts **African** leaders and heads of global financial institutions for a summit meeting that will seek to provide Africa with critical financing swept away by the **Covid-19** pandemic;

13 May 2021 **Maputo (Mozambique)** *Carta de Mocambique*. President **Filipe Nyusi** says **Mozambique's** economic growth rate is expected to be around 1.5% in 2021 and 2.8% in 2022;

10 May 2021 **Maputo (Mozambique)** *AFP*. **Mozambique** and **Portugal** governments sign new five-year military cooperation accord, which includes a training project for Mozambican personnel;

7 May 2021 **Maputo (Mozambique)** *Defenceweb*. Unconfirmed reports claim that the **Southern African Development Community (SADC)** will send a force to **Mozambique** but SADC has yet to announce a new date for a high-level meeting about ongoing **Islamist** violence in northern Mozambique;

6 May 2021 **(Africa)** *eNCA*. **World Health Organization** warns of a new wave of **Covid-19** infections in **Africa** due to delayed vaccine supplies, a slow rollout and new variants;

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