

## AFRICA RISK CONSULTING

### Mozambique Monthly Briefing March 2022

---

#### Mozambique Summary 11 March 2022

*President Filipe Nyusi (2015-present) reshuffles his cabinet after his predecessor, Armando Guebuza (2005-2015), implicates him in the ongoing “hidden debts” trial. Mozambique abstains from a vote to rebuke Russia in its invasion of Ukraine and is unlikely to benefit from the global diversification of natural gas supply chains in the near term. Joint forces of the Southern African Development Community (SADC) Mission in Mozambique (SAMIM) and the Rwanda National Defence Force (RDF) continue their efforts to repel the insurgency in Cabo Delgado, as more residents return to their homes in secured areas of the region despite continuing sporadic attacks. The government seeks to drive economic growth by attracting inward investment, deepening trade ties and bolstering local partnerships. New Covid-19 cases remain in single digits, as the vaccination rate continues its upward trajectory.*

---

#### Frelimo power struggle looms

President **Filipe Nyusi** (2015-present) reshuffled his cabinet on 2 March, firing six ministers and switching several others to new portfolios.<sup>1</sup> While Nyusi did not provide a reason for the reshuffle, it could be a move to consolidate power ahead of the ruling **Frelimo** party’s congress in September, when the party is expected to decide on a presidential candidate for the elections scheduled to take place in 2024. Nyusi is constitutionally limited to two terms as president, but is likely aiming to prolong his influence by placing allies in strategic positions.

Nyusi named **Adriano Afonso Maleiane** as **Mozambique’s** new prime minister, replacing **Carlos Agostinho do Rosário** who had held the position since 2015. Maleiane moved from his position as finance minister, a post now held by **Ernesto Max Tonela**, who was minister of mineral resources and energy until the reshuffle. **Instituto Nacional de Petroléo** chairman **Carlos Zacarias** replaces Tonela as mineral resources and energy minister.<sup>2</sup> Former deputy health minister **Lídia de Fátima da Graça Cardoso** replaces **Augusta Maita** as minister of sea, inland waters, and fisheries.<sup>3</sup>

The reshuffle followed the testimony on 17 February of former president **Armando Guebuza** (2005-2015) in the so-called “hidden debts” trial. Guebuza’s testimony has implicated President Nyusi, who was defence minister at the time the events that led to the hidden debt crisis took place. State-backed companies, set up by the country’s intelligence service, borrowed \$2.2 billion for the purchase of a tuna-fishing fleet, a maritime protection system and shipyards, between 2013 and 2014. The loans were taken on without consulting and gaining the approval of parliament and the administrative court as mandated by law.<sup>4</sup> The elaborate scheme began to unravel in July 2015 when **United States (US)**-based ratings agency **Standard & Poor’s** downgraded Mozambique’s sovereign credit rating to B over concerns that state-owned tuna fishing company **Empresa Moçambicana de Atum SA (Ematum)** would fail to repay the first installment of its debt due in September 2015 (see *ARC Briefing Mozambique July 2015*).<sup>5</sup> The subsequent discovery of the full scheme of illegal loans plunged Mozambique into a debt crisis.<sup>6</sup>

---

<sup>1</sup> Al Jazeera, 4 Mar 2022

<sup>2</sup> News24, 5 Mar 2022

<sup>3</sup> Seafood Source, 9 Mar 2022

<sup>4</sup> Mail and Guardian, 4 Mar 2022

<sup>5</sup> www.spratings.com

<sup>6</sup> Eyewitness News, 12 Feb 2022

While Guebuza has not been charged with any crime, associates close to him, including his private secretary, chief political advisor, and his son, **Armando Ndambi Guebuza**, are standing trial on charges which include money laundering, forgery, embezzlement and influence peddling.<sup>7</sup> Guebuza defended his role in the scandal, stating:

*“The operational command coordinator [Nyusi] was the minister of defence and later he was elected president of the republic... he is the one to ask about this information.”<sup>8</sup>*

Presiding judge **Efigenio Baptista** again rejected requests to call Nyusi to testify in the matter, reading out a written statement made by the president in 2018 in which he denies having had prior knowledge of the fraudulent nature of the companies, and stating he only became aware of them when the scandal was revealed in 2016.<sup>9</sup> With Nyusi unlikely to be called to testify in the trial, the rift within Frelimo is likely to widen as the Guebuza and Nyusi factions vie for influence ahead of the September 2022 congress.<sup>10</sup>

### Mozambique on the fence in Ukraine conflict ...

Mozambique was one of 17 **African** countries that abstained from voting on the **United Nations General Assembly’s** resolution on 2 March, to condemn **Russia’s** invasion of **Ukraine** on 24 February.<sup>11</sup> Mozambique has long-standing bilateral relations with Russia, rooted in its fight for independence from **Portugal** in the seventies. More recently, the relationship extends to military and counter-terrorism participation in Mozambique’s **Cabo Delgado** region (see below), as well as the interest of Russian firms in Mozambique’s LNG sector.<sup>12</sup> Other African countries that abstained from the vote include **Angola, Burundi, Madagascar, Namibia, South Africa, Uganda, Tanzania** and **Zimbabwe**.

Widescale diversification of gas supply chains away from Russia as a result of the ban imposed on 8 March by US president **Joseph Biden** (2021-present) on the import of Russian oil, LNG and coal to the US, poses an opportunity for other countries to increase their role in the global natural gas sector.<sup>13</sup> The **United Kingdom**, too, has announced plans to phase out Russian oil imports by 2023 and explore plans to end its gas imports from the country.<sup>14</sup> Although Mozambique has around 100 trillion cubic feet of known natural gas reserves,<sup>15</sup> the ongoing conflict in Cabo Delgado has threatened the development of its natural gas projects (see *ARC Briefing Mozambique Feb 2022*). As such, Mozambique is unlikely to be an immediate beneficiary of the current sanctions on Russian natural gas, with only more longer-term prospects existing for increased capital investment towards developing its LNG complement. However, this is largely contingent on the improvement of the security situation in the region.

### ... as joint forces bolster counterinsurgency efforts in Cabo Delgado ...

Joint military forces are bolstering their efforts to repel the security threat posed by insurgents in **Cabo Delgado** province (see *ARC Briefing Mozambique Feb 2022*). Members of the **Southern African Development Community (SADC) Mission in Mozambique (SAMIM)** and the **Rwanda National Defence Force (RDF)** have been in Mozambique since July to help the Mozambique government deal with the insurgency. President Nyusi revealed on 9 February that the **European Union** had committed to provide equipment for the government forces’ operation in Cabo Delgado, following his meeting with EU diplomats from 7-9 February, in **Brussels (Belgium)**.<sup>16</sup> South Africa’s President

<sup>7</sup> Mail and Guardian, 4 Mar 2022

<sup>8</sup> News24, 19 Feb 2022

<sup>9</sup> Club of Mozambique, 21 Feb 2022

<sup>10</sup> Club of Mozambique, 11 Mar 2022,

<sup>11</sup> Quartz Africa, 7 Mar 2022

<sup>12</sup> Daily Maverick, 14 Oct 2019

<sup>13</sup> United States White House Briefing Room, 8 Mar 2022

<sup>14</sup> The Guardian, 8 Mar 2022

<sup>15</sup> Al Jazeera, 1 Mar 2022

<sup>16</sup> News24, 10 Feb 2022

**Cyril Ramaphosa** (2018-present) informed the speaker of South Africa's national assembly, **Nosiviwe Mapisa-Nqakula**, on 28 February of his decision to extend the **South African National Defence Force's (SANDF)** deployment in Mozambique to cover the period from 16 January to 15 April 2022, at a cost of R984m (\$65.2m).<sup>17</sup> The additional complement will involve 1,945 SANDF members and will enable a specialised combat force, **Combat Team Alpha**, to relieve the special forces component.<sup>18</sup>

The fighting in Cabo Delgado began in 2017 and has led to around 3,000 deaths, internally displacing 740,000 people and contributing to rising food insecurity in the region.<sup>19</sup> However, authorities are increasingly urging the populace to return to their homes in areas of Cabo Delgado that have been secured by the joint forces. In February, reports stated that more people had returned to **Muidumbe** district as the security situation improved, with some farmers even resuming agricultural activities and 17 schools set to reopen in the district. Mozambican police force general commander **Bernadino Rafael** visited **Mocimboa da Praia** district in February, and instructed police officers stationed there to "*guarantee the welfare of this population*".<sup>20</sup>

*"They can tell us where the enemy is, and how the terrorists and their informants are moving."*<sup>21</sup>

This is in line with the government's focus on improving the security and livelihood of the region's vulnerable population. However, progress has not been uniform across the region, continuing to pose long-term humanitarian challenges and weighing on Mozambique's long-term prospects for development of its natural gas sector. A report released on 23 February by the **Global Initiative Against Transnational Crime** and the **Germany-based Hanns Seidel Foundation** claimed that the insurgency has gained control over areas in the Cabo Delgado region and expanded its presence inside and outside of the country.<sup>22</sup> A group of insurgents beheaded four people in **Bengala** village in Cabo Delgado on 7 February, also kidnapping several women and girls and burning down the village.<sup>23</sup> The **Catholic Denis Hurley Peace Institute** reported that extremists attacked at least eight villages in Cabo Delgado in February, with five villages on the border of **Tanzania** being burned down:

*"The humanitarian situation is ... getting worse, [and] the government is not capable of meeting the needs of people on the ground."*<sup>24</sup>

Meanwhile, attacks are ramping up in the cyber realm. On 21 February, cyber-attacks targeted the portal hosting the websites of several government institutions, including those of the **Instituto Nacional de Gestão de Calamidades** (national institute for disaster management), the **Administração Nacional de Estradas** (national roads administration), and the **Instituto Nacional de Transportes Terrestres** (national land transport institute).<sup>25</sup> The government announced shortly afterwards that it had repelled the attack; however, on 23 February, a group calling itself the **Yemen Cyber Army** announced that it had retaken at least 30 state-owned websites, with the hackers threatening to publicise classified data unless the government paid a \$20,000 ransom in **Bitcoin**.<sup>26</sup> The government has not divulged whether it paid the ransom; however, as at 11 March, the affected government websites were accessible once again.

<sup>17</sup> News 24, 4 Mar 2022

<sup>18</sup> News24, 3 Feb 2022

<sup>19</sup> Relief Web, 11 Feb 2022

<sup>20</sup> All Africa, 7 Feb 2022

<sup>21</sup> All Africa, 7 Feb 2022

<sup>22</sup> Global Initiative, 23 Feb 2022

<sup>23</sup> All Africa, 7 Feb 2022

<sup>24</sup> DW News, 24 Feb 2022

<sup>25</sup> Club of Mozambique, 21 Feb 2022

<sup>26</sup> Independent Online, 23 Feb 2022

### ... and government focuses on attracting investment

Facing stalled liquefied natural gas (LNG) projects as a result of the continuing insurgency in Cabo Delgado, the government is seeking to widen its investor base. On 7 February, now former prime minister Carlos Agostinho do Rosario appealed to potential investors in an address to the Mozambique-**United Arab Emirates (UAE)** business forum at **Expo-Dubai 2022**. Do Rosario promoted agriculture, fisheries, energy, tourism, infrastructures, logistics, transport and industrialisation as the country's key strategic areas.

Locally, the government is also deepening its partnerships with private players. The ministry of agriculture and rural development entered into an agreement on 28 February with **Italy**-headquartered energy company **Eni** for several initiatives.<sup>27</sup> These include cooperating on and developing agricultural projects to produce oil seeds and vegetable oils for the production of biofuels, the production of biofeedstock and natural climate solutions, and industrial development initiatives to support the decarbonisation of the transport sector and promote development opportunities.

Mozambique is also strengthening regional ties. Zimbabwe's President **Emmerson Mnangagwa** (2017-present) visited the Mozambican town of **Beira** on 12 February for a one-day working visit hosted by President Nyusi.<sup>28</sup> In addition to Zimbabwe announcing a donation of 1,000 tonnes of grain to Mozambique, the two presidents committed to their respective infrastructure projects benefiting both countries. Key projects, funded by **India** and **China**, include the construction of the **Machipanda** railway, which will link Mozambique and Zimbabwe, as well as a railway line that will run from Zimbabwe's **Sango Border** to **Maputo**.<sup>29</sup>

According to the latest data from Mozambique's **Instituto Nacional de Estatística** (national statistics institute), the average level of prices for goods increased by 2.18% in January, based on the consumer price indices for the country's three largest cities, Maputo, **Nampula** and Beira.<sup>30</sup> Annual inflation, rose 7.8% for the period 1 February 2021 to 31 January 2022, the highest rate for January since 2017.

### ... amid further easing of Covid-19 restrictions

President Nyusi extended Mozambique's **State of Public Calamity** on 16 February, but announced further changes to the restrictions in force to contain the spread of **Covid-19**.<sup>31</sup> As of 9 March, Mozambique had recorded an average of nine daily new cases of Covid-19, bringing the total number of confirmed cases in its population of approximately 31.5 million to 225,159, with 2,198 Covid-19-related deaths and 221,863 recoveries from the disease.<sup>32</sup> As of 9 March, there were 1,098 active cases of Covid-19 in the country.<sup>33</sup>

Relevant changes to Covid-19 restrictions include:

- The reopening of all border posts;
- The lifting of curfew throughout the country;
- An increase in the maximum number of visitors in hospitals, while a ban on visits to Covid-19 patients remains in place;
- Restaurants and bars may remain open until 11:00 pm.

<sup>27</sup> Biofuels International, 28 Feb 2022

<sup>28</sup> The East African, 17 Feb 2022

<sup>29</sup> The Herald, 12 Feb 2022

<sup>30</sup> Club of Mozambique, 22 Feb 2022

<sup>31</sup> US Embassy in Mozambique, 9 Mar 2022

<sup>32</sup> US Embassy in Mozambique, 9 Mar 2022

<sup>33</sup> Worldometers, accessed on 10 Mar 2022

- Private social events, religious services, public and private meetings and state events may now have a maximum of 500 participants indoors and 1000 outdoors, without exceeding 50% of the venue's capacity.<sup>34</sup>

UK-based data access project **Our World in Data**, run by non-profit organisation **Global Change Data Lab** and the **University of Oxford**, estimates that Mozambique's health authorities had administered 23.6 million doses of Covid-19 vaccines by 5 March.<sup>35</sup>

## Planner

23-28 Sep 2022 **(Mozambique) Frelimo Party** hold its 12th Congress

2023 **(Mozambique)** Local elections;

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

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

## Chronology

7 Mar 2022 **Maputo (Mozambique) Upstream**. President **Filipe Nyusi** appoints **Institute of National Petroleum of Mozambique** head **Carlos Zacarias** as Mozambique's new energy minister in major cabinet shake-up;

3 Mar 2022 **Maputo (Mozambique) Bloomberg**. President **Filipe Nyusi** dismisses prime minister **Carlos Agostinho do Rosário**, a day after he removed six members of the cabinet in his government's most significant leadership overhaul since he took power in 2015;

3 Mar 2022 **Maputo (Mozambique) Bloomberg**. **South African** energy company **Gigajoule** says it is confident of reaching financial closure by year-end ahead of construction of its \$550m **Matola LNG** import terminal in **Mozambique** with joint development partner **TotalEnergies**;

2 Mar 2022 **Maputo (Mozambique) Al Jazeera**. President **Filipe Nyusi** carries out a cabinet reshuffle, firing six ministers;

2 Mar 2022 **New York (United states) The East African**. Mozambique abstains from voting on the **United Nations General Assembly's** resolution to condemn **Russia's** invasion of **Ukraine**;

28 Feb 2022 **Pretoria (South Africa) News 24**. President **Cyril Ramaphosa** informs **South Africa's** national assembly of his decision to extend South Africa's deployment to **Mozambique** as part of the **Southern African Development Community** security force's efforts to quell violent extremism in the country's province of **Cabo Delgado**;

28 Feb 2022 **Maputo (Mozambique) Biofuels International**. **Italy**-headquartered energy company **Eni** and Mozambique's **ministry of agriculture and rural development** sign an agreement for the cooperation and development of agricultural projects to produce biofuels;

24 Feb 2022 **Maputo (Mozambique) All Africa**. Former fisheries minister **Augusta Maita** alleges that illegal fishing is costing the country \$60m a year and says he plans to introduce a ban on harmful fishing gear and increase government operations to conduct inspections along the coastline, among other interventions;

21 Feb 2022 **Maputo (Mozambique) Club Mozambique**. The websites of a number of government institutions, including the **Instituto Nacional de Gestão de Calamidades** (national institute for disaster management), the **Administração Nacional de Estradas** (national roads administration), and the **Instituto Nacional de Transportes Terrestres** (national land transport institute), are taken over by cyber-attacks;

<sup>34</sup> US Embassy in Mozambique, 9 Mar 2022

<sup>35</sup> Our World in Data, accessed on 10 Mar 2022

17 Feb 2022 **Maputo (Mozambique)** *Financial Times*. Former president **Armando Guebuza** testifies as the last of 67 witnesses called by the attorney general's office in what has been dubbed the "hidden debts" trial, and seemingly implicates President **Filipe Nyusi** in his administration's illegal borrowing of \$2.2 billion in loans, for the purchase of a tuna-fishing fleet a maritime protection system and shipyards, which took place between 2013 and 2014;

12 Feb 2022 **Beira (Mozambique)** *The East African*. **Zimbabwe's** President **Emmerson Mnangagwa** visits Beira for a one-day official working visit hosted by Mozambican president **Filipe Nyusi**, donating 1,000 tonnes of grain to Mozambique as the leaders commit to deepen economic ties between their countries;

7 Feb 2022 **Macomia (Mozambique)** *All Africa*. insurgents behead four people in the village of **Bengala** in **Cabo Delgado**, kidnapping an unspecified number of women and girls and burning down the village;

### About Africa Risk Consulting:

**Africa Risk Consulting (ARC)** is a pan-African consulting company that provides timely, relevant information and advice that enables its clients to take informed investment decisions and to safeguard their reputations.

**ARC's** core consulting services include integrity due diligence and corporate investigations, political advisory and country assessments, opportunity monitoring and reputation risk management. Most relevant to private equity firms is ARC's integrity due diligence and corporate investigations capability. Specifically, ARC offers pre-deal integrity checks to highlight red flags before negotiations start; full detailed multi-jurisdictional reputation due diligence; and supplier and senior hire vetting and repeat due diligence for compliance programmes. ARC is unique in that it offers a 10-day delivery for a routine integrity due diligence. ARC also offers a suite of corporate investigations services from immediate investigation, evidence gathering, e-discovery, forensic accounting and whistleblower support on one end to crisis media management and regular monitoring on the other.

[www.africariskconsulting.com](http://www.africariskconsulting.com)

### About ARC Briefing:

**ARC Briefing** is ARC's essential business information service.

Companies at any stage in their Africa expansion, whether building or communicating an Africa strategy, investing directly, expanding current operations, financing other investors, doing the legal leg-work or researching the Africa growth trend, need ARC Briefing.

**ARC Briefing** is an information service keeping you:

- Up to date with Country Chronologies of business-critical events
- In the know via Country Briefings on political, economic, business and operating trends. Written in-country, ARC experts analyse and comment
- Ahead with Country Planner which details future elections, budgets, regulatory changes etc.

[www.africariskconsulting.com](http://www.africariskconsulting.com)

### Getting in touch

Please contact us by email [info@africariskconsulting.com](mailto:info@africariskconsulting.com) or call + 44 (0) 20 7078 4080

Follow us on Twitter: [@ARCBriefing](https://twitter.com/ARCBriefing)