

AFRICA RISK CONSULTING

Mozambique Monthly Briefing August 2024

Mozambique Summary 8 August 2024

The constitutional court on 1 August upholds the Comissão Nacional de Eleições (CNE) (national electoral commission) ruling barring the opposition coalition Coligação Aliança Democrática (CAD) from contesting the national legislative and provincial ballots in the upcoming 9 October election. The London High Court (United Kingdom) on 29 July rules in favour of Mozambique in its dispute with the Emirati-Lebanese shipbuilder Privinvest. The court orders Privinvest to repay Mozambique \$825m and grants the country indemnity from related bond repayments. This ruling comes as former finance minister Manuel Chang's corruption trial related to the same scandal commences in the United States (US) on 16 July. A vigilante mob lynches five soldiers in Macomia (Cabo Delgado Province).

Opposition CAD coalition excluded from legislative and provincial elections

The constitutional council on 1 August upheld the **Comissão Nacional de Eleições (CNE)** (national electoral commission) ruling barring the opposition coalition, **Coligação Aliança Democrática (CAD)** from contesting the assembly of the republic or the provincial ballots in the upcoming 9 October elections.¹ On 18 July, the CNE rejected CAD's national and provincial legislative candidate lists after finding that the coalition had failed to adhere to Mozambique's electoral laws and regulations.

Specifically, the CAD did not inform authorities of changes to which parties comprise the coalition promptly. On 27 April, the CAD member parties signed a new coalition pact which, notably, excluded two of the coalition's founding parties - the **Partido Ecológico de Moçambique (PEMO)** and the **United Congresso dos Democratas Unidos (CDU)** - which had withdrawn from the coalition.² Under Mozambican electoral law, the CAD needed to notify the CNE of this change within 15 days but only did so on 28 June.

The CNE also took issue with the fact that it believed that the CAD was attempting to register itself as a separate entity from its constituent parties. According to the CNE, this is prohibited as coalitions cannot be legally independent of the member parties.

The CAD comprises six minor opposition parties, namely, the **Partido da Aliança Democrática e Renovação Social (PADRES)**; the **Partido Liberal e Democrático de Moçambique (PALMO)**; the **Partido Nacional Democrático (PANADE)**; the **Partido para Todos os Nacionalistas de Moçambicanos (PARTONAMO)**; the **Partido Democrático Nacional de Moçambique (PDNM)**; and the **Partido Renovador Democrático (PRD)**. None have representation at a national or provincial level.

There had been some excitement that the coalition may be able to secure some seats in provincial legislatures or even the assembly of the republic given that the CAD's new flagbearer is **Venancio Mondlane** - the popular former mayoral candidate for **Maputo** for Mozambique's main opposition party **Renamo** (see *ARC Briefing Mozambique Jul 2024*). Mondlane defected from Renamo to join the CAD after being actively excluded from contesting the party's leadership conference in May. Importantly, Mondlane is still contesting the presidential election but his position has been weakened given that the CAD will not compete in the legislative and provincial elections.

¹ AIM, 2 Aug 2024

² AIM, 18 Jul 2024

Mondlane and the CAD have denounced both the CNE's decision to reject their candidate lists and the Constitutional Council's ruling upholding this decision. However, given that the constitutional council is Mozambique's apex court the matter should be considered settled.

The exclusion of the CAD will be most welcomed by Renamo and Mozambique's third largest party, the **Movimento Democrático de Moçambique (MDM)**, as these parties were most at risk of losing voters to the CAD. Renamo in particular was viewed as vulnerable given that most of Mondlane's support comes from erstwhile Renamo supporters.

Despite this support, it is doubtful that Mondlane will win the presidential election. The ruling **Frelimo's** dominance over politics in Mozambique has all but ensured that its candidate, incumbent **Inhambane** governor **Daniel Chapo** will be elected president. However, if Mondlane does attract a significant number of votes it will illustrate a growing appetite for new political options in Mozambique. This should galvanise the CAD's member parties to either better adhere to Mozambique's coalition regulations or even convert the coalition into a political party.

Mozambique wins 'secret debt' trial

In a substantively positive development for Mozambique, the **London High Court (United Kingdom)** on 29 July ruled in favour of Mozambique in its \$3.1 billion lawsuit against **Emirati-Lebanese** shipbuilder **Prinvest**.³ Mozambique had sued Prinvest and the company's late owner **Iskander Safa** alleging that they had secured a 2013 tuna boat supply tender via corrupt means.

This tender was central to the country's secret debt scandal which resulted in the **International Monetary Fund (IMF)** and other key budgetary partners suspending aid to the country when this debt was discovered in 2016.

Mozambique had also sued **Swiss** bank **Credit Suisse** for its role in facilitating the financing of this agreement and the **Eurobond** issuance to finance it. However, Credit Suisse and Mozambique reached a settlement agreement last October (*see ARC Briefing Mozambique Oct 2024*).⁴ This settlement was pushed by Credit Suisse's new parent company, fellow Swiss bank **UBS**, which wanted the controversial matter resolved. However, Prinvest and Safa rejected all settlement issues and as such the matter remained before the court. The matter was tried before the London High Court as the suspect agreements were handled in London by the London branches of Credit Suisse and **Russia's VTB**.

Judge **Robin Knowles** ruled that Mozambique is entitled to payment of over \$825m from Prinvest and Safa.⁵ Given that Safa died in January 2024, this will likely be sought from his estate. It is unlikely that Mozambique will secure these funds soon as Prinvest has already announced its intention to appeal the ruling and will use all legal means to resist repaying Mozambique. However, the more beneficial aspect of the ruling was that Knowles granted Mozambique indemnity concerning its \$1.5 billion in debt repayments including approximately \$1.4 billion it owes in the country's 2031 Eurobonds.⁶ This indemnity is a major win for Mozambique as it will substantively reduce the country's debt burden and risk of default. The country's bondholders will likely seek to challenge this ruling but Mozambique should now be able to cease payments on these bonds without being accused of defaulting.

The secret debt scandal was a major controversy in Mozambique that fundamentally undermined confidence in the government. The scandal has dominated the country's political and economic developments for the past eight years. In fact, it is believed that one of the reasons that Frelimo selected Chapo as its presidential candidate is that he was not involved in national politics during the time that the alleged corrupt agreements took place and is untainted by the scandal

³ News24, 29 Jul 2024

⁴ Africa News, 2 Oct 2023

⁵ News24, 29 Jul 2024

⁶ Financial Times, 29 Jul 2024

US prosecutors lay out case against former Mozambican finance minister

Despite the London High Court trial concluding in Mozambique's favour the scandal is expected to remain alive as a central issue in Mozambique's current affairs. This is further assured by the fact that former finance minister **Manuel Chang**'s corruption trial began on 16 July in **New York (United States) (US)**.⁷ Chang is being tried before a federal court in New York as US authorities have claimed jurisdiction over this matter as the alleged bribes were paid in US dollars, using the US financial system, and banks registered in the US.

US federal prosecutors began presenting evidence against Chang on 16 July during which they described the former finance minister as a corrupt official who accepted a \$7m bribe to facilitate the deal with Credit Suisse, VTB, and Prinvest.⁸ Prosecutors promised to present documentation of the bribes and proof of electronic transfers.

The case against Chang is believed to be a strong one especially given that three former Credit Suisse executives have already secured plea agreements in this matter and are believed to have given evidence against Chang. The former finance minister has maintained that he is innocent but notably has returned the \$7m to the Mozambican treasury.⁹

Chang's trial will be closely watched from Maputo. As finance minister at the time the corrupt agreements were signed, Chang was instrumental in the secret scandal being approved. As such, his own testimony – if he gives it – could potentially implicate other high-level Mozambican political figures. Key among these is former president **Armando Guebuza** (2005-2015), who was head of state at the time, and **President Filipe Nyusi** (2014-present) who was defence minister when the agreements with Prinvest occurred.

Soldiers lynched in Cabo Delgado province

Mozambique's troubled **Cabo Delgado Province** remained the centre of security concerns in the country. In a notable development, a lynch mob killed five soldiers in the province's **Macomia** town on 9 July.¹⁰ The incident was instigated after a group of patrolling soldiers shot and killed a local man who had broken curfew.

Local reports indicate that the victim was shot in the back when running away from the soldiers. Mozambican security officials claim that the man was misidentified as an **Ahlu Sunnah wa Jama'ah (ASWJ)** militant. ASWJ has been waging an insurgency in the province ever since 2016 and is the main factor in the province's poor security environment. Following the shooting of the local man, a large crowd of residents gathered and quickly formed a vigilante mob that attacked the soldiers involved, killing five of them.

This incident is reflective of two factors in the Mozambican security environment. Firstly, the poor relationship between security forces and the communities in which they operate. Mozambican soldiers have long been accused of corruption and brutality in Cabo Delgado including committing war crimes such as rape and murder. These excesses have been cited as reasons for ASWJ's successful recruitment in the past. The military's discipline has improved slightly in recent years due in part to increased training by foreign instructors from **Europe** and the US. However, local communities are still wary of Mozambican soldiers and relations remain strained.

Secondly, vigilante justice is a common occurrence in Mozambique – especially in the country's rural areas. Communities have little faith in the country's law enforcement and judicial systems and, as such, are prone to taking matters into their own hands.

⁷ Club of Mozambique, 30 Jul 2024

⁸ Club of Mozambique, 30 Jul 2024

⁹ AIM, 30 Jul 2024

¹⁰ Zitamar, 10 Jul 2024

Planner

26 Aug 2024 **Maputo (Mozambique) Feira Internacional de Maputo (FACIM)** (Maputo international trade fair);

9 Oct 2024 **(Mozambique)** National general election;

Chronology

6 Aug 2024 **Harare (Zimbabwe) 360Mozambique**. The governments of **Mozambique**, **Zimbabwe**, and **Botswana** agree to rehabilitate the railway connection between the three countries;

6 Aug 2024 **Maputo (Mozambique) Club of Mozambique**. **Banco de Moçambique** (central bank) reveals that foreign direct investment (FDI) fell by 10.6% in the first quarter of 2024;

2 Aug 2024 **Maputo (Mozambique) AIM**. Attorney general's office reveals that it filed 508 criminal cases related to telecommunications fraud during the first half of 2024;

2 Aug 2024 **Maputo (Mozambique) AIM**. The **Japanese** government hands over six patrol and rescue boats to Mozambique to strengthen the country's maritime and coastal security capabilities;

1 Aug 2024 **Maputo (Mozambique) Club of Mozambique**. **Banco de Moçambique** (central bank) releases a report revealing that liquefied natural gas (LNG) exports totalled \$443m in the first quarter (Q1) of 2024;

31 Jul 2024 **Dar es Salaam (Tanzania) Club of Mozambique**. The governments of **Mozambique**, **Malawi**, and **Tanzania** sign a memorandum of understanding (MoU) to improve the joint management of water resources in the **Rovuma River Basin**;

31 Jul 2024 **Maputo (Mozambique) CNBC Africa**. The **Banco de Moçambique** (central bank) cuts its main monetary policy interest rate from 15% to 14.25%;

31 Jul 2024 **Maputo (Mozambique) 360 Mozambique**. Assembly of the republic approves the nine members of the newly formed supervisory committee of the **Fundo Soberano de Moçambique (FSM)** (sovereign wealth fund) that will manage the revenue from the country's liquefied natural gas (LNG) resources;

31 Jul 2024 **Maputo (Mozambique) AIM**. **President Filipe Nyusi** claims that over 80% of demobilised **Renamo** guerillas have received their pensions as promised under the 2019 peace accords;

31 Jul 2024 **Maputo (Mozambique) AIM**. The **United Nations (UN) Food and Agriculture Organization (FAO)** and the **Agenzia Italiana per la Cooperazione allo Sviluppo (AICS)** (Italian agency for development cooperation) sign agreements aimed at protecting Mozambique's miombo forests;

29 Jul 2024 **Maputo (Mozambique) AIM**. The Mozambican, **Tanzanian**, and **Chinese** militaries begin military exercises in Tanzania dubbed **Peace and Unity-2024**;

27 Jul 2024 **Maputo (Mozambique) AIM**. The **United Nations (UN) Office for the Coordination of Humanitarian Affairs in Mozambique (OCHA)** reveals that it has only secured \$116m of the \$413m needed to fund its humanitarian operations in Mozambique;

25 Jul 2024 **Maputo (Mozambique) AIM**. Assembly of the republic ratifies the reappointment of **Adelino Muchanga** as supreme court president;

24 Jul 2024 **Maputo (Mozambique) AIM**. **South Korea's HD Hyundai Group** and **Samsung Heavy Industries** shipyards confirm that they have postponed delivery of 17 gas tankers

ordered by the **France**-headquartered **TotalEnergies** liquefied natural gas (LNG) project in **Cabo Delgado Province** until 2028 and 2029;

22 Jul 2024 **Maputo (Mozambique)** *360Mozambique*. The government approves a concession for the exploration and production of oil in the **Angoche A6-C Offshore Area** off the coast of **Nampula Province** to a consortium comprising **Italy's ENI** and Mozambique's state-owned **Empresa Nacional de Hidrocarbonetos (ENH)**;

22 Jul 2024 **Maputo (Mozambique)** *360Mozambique*. **India's** state-owned oil firm, **Bharat Petroleum Corporation (BPCL)**, which is a minority partner in the **France**-headquartered **TotalEnergies**-led liquefied natural gas (LNG) project in **Cabo Delgado Province**, reveals that it expects the costs of the project to increase by around \$4 billion;

18 Jul 2024 **Harare (Zimbabwe)** *Club of Mozambique*. **Mozambique**, **Zimbabwe**, and **Zambia** sign a new **Transfrontier Conservation Agreement** aimed at promoting biodiversity conservation and restoration across the three countries;

16 Jul 2024 **Maputo (Mozambique)** *Bloomberg*. Government commits to cutting 5,000 ghost workers after being warned by the **International Monetary Fund (IMF)** over the country's high public sector wage bill;

14 Jul 2024 **Maputo (Mozambique)** *AIM*. **Renamo's** gubernatorial governor for **Maputo Province**, **Antonio Muchanga**, calls for further electoral reforms to limit the threat of election fraud;

10 Jul 2024 **Maputo (Mozambique)** *Engineering News*. The **United States (US)** **International Development Finance Corporation (DFC)** approves a \$99m loan to help finance Mozambique's first utility-scale wind-power project planned in **Maputo Province**;

10 Jul 2024 **Maputo (Mozambique)** *Club of Mozambique*. A vigilante crowd attack and vandalise a police station in **Moatize** district (**Tete Province**) after officers released a man accused of a local murder;

5 Jul 2024 **Harare (Zimbabwe)** *Club of Mozambique*. The **Civil Aviation Authority of Zimbabwe (CAAZ)** lifts its ban on Mozambique's state-owned airline, **LAM**.

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

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

Getting in touch

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

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