

AFRICA RISK CONSULTING

Mozambique Monthly Briefing July 2024

Mozambique Summary 10 July 2024

The constitutional council confirms on 24 June that four candidates can contest the presidency in the 9 October election. The International Monetary Fund (IMF) on 8 July concludes its review of its Extended Credit Facility (IMF) arrangement with Mozambique and approves the immediate disbursement of the next tranche payment under the programme. The Southern African Development Community (SADC) Mission in Mozambique (SAMIM) concludes on 4 July and hands its remaining responsibilities to Mozambique's security forces.

President candidates confirmed ahead of the general election

Mozambique's highest court, the constitutional council, on 24 June, approved four candidates to contest the presidency in the upcoming 9 October general election. The candidates include:

- Ruling **Frelimo** candidate **Daniel Chapo**;
- Opposition **Renamo** leader **Ossufo Momade**;
- Opposition **Movimento Democrático de Moçambique (MDM)** leader **Lutero Simango**; and
- Opposition **Coligação Aliança Democrática (CAD)** presidential candidate **Venancio Mondlane**.¹

These four were among eleven candidates who submitted applications to the constitutional council but were the only ones the court found to have met all requirements, including submitting at least 10,000 nominating signatures.

The inclusion of Mondlane on the presidential ballot is the most noteworthy aspect of this development. As recently as May of this year Mondlane was a well-known figure with Renamo; in fact, he was the party's mayoral candidate for **Maputo** in the October 2023 municipal elections. Notably, Mondlane is largely credited with Renamo's strong electoral showing in the Maputo municipal election in which the independent watchdog, the **Centro de Integridade Pública (CIP)** (centre for public integrity) claims Renamo actually won.²

However, Mondlane quit Renamo after he was barred from contesting the Renamo leadership contest in May (*See ARC Briefing Mozambique Jun 2024*). He subsequently joined CAD as its presidential candidate and managed to secure the necessary nominating signatures by 6 June. This illustrates an impressive level of organisational capacity and support by Mondlane and his supporters.

Mondlane is unlikely to win the presidential election given Frelimo's continued control and dominance over Mozambican politics. However, his candidacy does pose a real threat to Renamo's electoral fortunes. The former mayoral candidate primarily draws his support from historic Renamo voters and is widely liked by younger opposition voters. Momade is largely unpopular with the Renamo's support base despite his strong control of internal structures. Accordingly, Mondlane and CAD have the potential to split the Renamo vote and could even threaten its status as Mozambique's largest opposition party.

CAD is expected to draw most of its support from southern Mozambique, especially in the Maputo-**Matola** urban sprawl. This is Mozambique's most heavily populated area and will likely ensure that the CAD wins some seats in the Maputo provincial legislature. Mondlane will likely focus his campaign

¹ AIM, 24 Jun 2024

² Club of Mozambique, 22 Oct 2023

on Maputo and Renamo's strongholds in **Sofala, Zambezia, and Nampula** provinces. Similarly, Renamo will aggressively seek to shore up its support in these areas.

Momade and Renamo are clearly cognisant of the threat Mondlane poses. Indicative of this was Renamo's failed appeal to the constitutional council to bar the CAD's logo.³ Renamo claimed that CAD's pigeon was too similar to Renamo's partridge emblem – an argument the constitutional council dismissed. Momade was already under pressure to lead Renamo to a strong electoral performance in this general election. Failure to do so will deepen the voter disenchantment with Renamo and its capacity to win control of provinces and present any real challenge to Frelimo. As such, Mondlane and CAD could pose a potentially existential threat to Renamo if they siphon away enough of the party's support.

Mondlane could also draw disenchanted voters away from Frelimo. The widespread corruption fatigue and frustration means that Frelimo is facing its least friendly electorate in years. The perception in several quarters that the ruling party rigged the municipal election has also deepened distrust of the ruling party. As such, the entrance of a young, charismatic, and comparatively new presidential candidate could draw some voters away from the ruling party to CAD.

This awareness of the growing frustration with the ruling party was partially the motivation for Frelimo selecting Chapo, the governor of **Inhambane** province, as its presidential candidate (*See ARC Briefing Mozambique May 2-24*). Chapo has had a comparatively short political career and as such is not tainted by Frelimo's past corruption scandals – most notably, the 2016 secret debt scandal. Frelimo is hoping that a new and modern figure such as Chapo will soothe some of its supporters' frustration.

However, Chapo's formerly low profile does present its challenges such as a lack of name recognition or relationship with voters. In response, Frelimo has launched a campaign to introduce Chapo to the public dubbed the 'ACHAPO' movement.⁴ This campaign raises both Chapo's profile and provides an opening for Frelimo to begin campaigning for the election without officially doing so.

All major political parties have begun informally campaigning for the general election. This is technically in violation of the **Comissão Nacional de Eleições (CNE)** (national electoral commission) prohibition on campaigning outside of the formal campaign period which begins on 28 August.⁵ However, the publishing of the final list of presidential candidates essentially marked the start of the election period as voters are now aware of who will be on the ballot and these candidates have begun attempting to rally support.

IMF approves funding disbursement

The **International Monetary Fund (IMF)** executive board on 8 July concluded its fourth review of the IMF's three-year **Extended Credit Facility (ECF)** arrangement with Mozambique and approved the immediate disbursement of \$60.0m.⁶ The board also signed off on its **Article IV** consultation with Mozambique. This approval comes after the IMF team completed its in-country assessment on 14 June.

The IMF's review of Mozambique was somewhat mixed as Mozambique only met three out of the four structural benchmarks set for it during this review period and two of the four quantitative performance criteria. These largely pertained to the debt and fiscal consolidation goals set for Mozambique under the ECF. The IMF board granted Mozambique waivers for these matters during this review period, but it should be noted that continued failure to meet these requirements could result in future ECF payments being denied or delayed.

³ AIM, 24 Jun 2024

⁴ AIM 22 Jun 2024

⁵ AIM, 13 Jun 2024

⁶ IMF, 8 Jul 2024

Fiscal consolidation should be a priority for the government. The country still has a substantial external debt burden and is estimated to spend as much as 73% of its tax revenue on public sector salaries.⁷ The IMF has noted that the government has taken some steps towards improving fiscal discipline but did comment that future steps are needed. Key among these is the need to rationalise Mozambique's public sector wage bill. However, the government is highly unlikely to take any steps to reduce the wage bill ahead of the upcoming election.

The IMF also praised Mozambique for its tight monetary policy as this has helped contain inflationary pressures and rebuild Mozambique's foreign exchange reserves. Furthermore, Mozambique continues to make progress (albeit slow progress) in improving its **Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT)** regulations. The IMF also noted that the country's sovereign wealth fund is almost operational. The IMF has been a strong advocate of the sovereign wealth fund to help manage the revenue generated by Mozambique's natural gas resources.

The disbursement of the \$60.03m is a welcome development as this capital will help finance the budget as well as capitalise its foreign exchange reserves further. Mozambique remains dependent on such external sources of funding given the government's persistent budget deficit driven by its large public sector wage bill and high debt servicing costs.

Regional mission departs Cabo Delgado province

The **Southern African Development Community (SADC) Mission in Mozambique (SAMIM)** officially concluded on 4 July with a ceremony in **Pemba**, the capital of **Cabo Delgado** province.⁸ Accordingly, the last 2,000 SAMIM troops are expected to cease combat operations and withdraw from Mozambique, handing their responsibilities over to the Mozambican military.

SAMIM was launched in mid-2021 to help combat the **Islamic State (IS)**-aligned **Ahlu Sunnah wa Jama'ah (ASWJ)** insurgent group. The mission was formed after the Mozambican government finally relented to accepting external military help after the March/April 2021 attack on **Palma**. SAMIM played a major role in combatting ASWJ and reducing the group's territory and operational capacity. SAMIM and the **Rwanda Defence Force (RDF)** troops - also deployed to Cabo Delgado in 2021 - were instrumental in pushing ASWJ out of most of the group's strongholds in Cabo Delgado.

SAMIM was never meant to be a permanent operation and had already been repeatedly extended by SADC. Notably, SAMIM's departure comes during a period in which ASWJ appears to be regaining some of its strength. Since January, the militant group has managed to once again expand its area of operations and carry out attacks in southern Cabo Delgado province and even **Nampula** province.

President **Filipe Nyusi** (2014-present) has sought to downplay this resurgence repeatedly dismissing reports that the militant group has grown stronger. Thankfully for the president, the weeks leading up to SAMIM's departure were marked by a series of victories for the counterinsurgency forces. The most significant of these was the 29 May battle in **Mbau** in the **Mocimboa da Praia** district, in which RDF troops successfully repelled an ASWJ attack killing a reported 70 insurgents.⁹ Despite victories such as this, concerns remain about whether Mozambique's security forces and the RDF will be able to continue to contain ASWJ without SAMIM's assistance. Highlighting these concerns, ASWJ has continued to carry out attacks across much of the province with attacks and raids recorded in the **Palma**, **Metuge**, **Chiúre**, **Quissanga**, **Macomia**, **Mocimboa da Praia** and **Mecúfi** districts in the past month.¹⁰

SAMIM's departure will embolden ASWJ and it will seek to test the capacity of the Mozambican military and the RDF. As such, further attacks are anticipated in the coming months, including on security forces and even high-value targets such as mining operations.

⁷ Club of Mozambique, 30 May 2024

⁸ AIM, 4 Jul 2024

⁹ AIM, 10 Jun, 2024

¹⁰ AIM, 26 Jun 2024

Planner

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

Chronology

10 Jul 2024 **Maputo (Mozambique) AIM. United States (US) International Development Finance Corp.** approves a \$99m loan to help Mozambique finance its first utility-scale wind power project;

9 Jul 2024 **Maputo (Mozambique) AIM.** President **Filipe Nyusi** inaugurates the expanded railway line connecting Maputo to the border with South Africa;

9 Jul 2024 **Maputo (Mozambique) 360 Mozambique.** The finance ministry unveils plans to cap spending on public sector salaries at 12.4% of GDP;

9 Jul 2024 **Maputo (Mozambique) 360 Mozambique.** The **World Bank** reveals that it intends to invest \$150m towards improving power quality in Mozambique;

8 Jul 2024 **Moatize (Mozambique) AIM.** A vigilante mob attempts to storm a police station in Moatize (**Tete** province) in an attempt to capture a suspected murderer held in the station's cells;

8 Jul 2024 **Maputo (Mozambique) AIM.** President **Filipe Nyusi** reveals that his government has entered into negotiations with **Zimbabwe** and **Botswana** to extend the **Machipanda** railway through Zimbabwe to Botswana;

5 Jul 2024 **Maputo (Mozambique) AIM.** Authorities revoke 200 mining licenses in **Cabo Delgado** province due to a lack of investment and activity by the licence holders;

4 Jul 2024 **Maputo (Mozambique) AIM.** The **African Development Bank (AfDB)** commits \$33m in funding to support Mozambique's poultry sector under its **Inclusive Agri-food Value Chain Development Programme**;

3 Jul 2024 **Maputo (Mozambique) 360 Mozambique.** Sea, inland waters and fisheries minister **Lídia Cardoso** calls for the development of natural gas projects in the **Rovuma Basin** off the coast of **Cabo Delgado** province to resume;

2 Jul 2024 **Maputo (Mozambique) AIM.** President **Filipe Nyusi** claims that his government is implementing the recommendations of the **France**-headquartered **Financial Action Task Force (FATF)** in an effort to be removed from that organisation's grey list;

1 Jul 2024 **Maputo (Mozambique) 360 Mozambique.** President **Filipe Nyusi** conducts a four-day working visit to **Tanzania** aimed at improving bilateral ties and cooperation in the LNG sector;

1 Jul 2024 **Maputo (Mozambique) Club of Mozambique.** Government announces an out-of-court settlement with three banks – **Portugal's BCP**, **Russia's VTB Capital** and **VTB Bank Europe** – over the hidden debts scandal, reducing the state's exposure from approximately \$1.4 billion to \$220m;

1 Jul 2024 **Beijing (China) AIM.** Chinese defence minister, **Dong Jun**, meets with **Mozambican** defence minister, **Cristovao Chume**, and indicates China's intent to improve defence cooperation with Mozambique;

27 Jun 2024 **Lusaka (Zambia) AIM.** President **Filipe Nyusi** conducts an official visit to Zambia in order to hold meetings with his Zambian counterpart, **Hakainde Hichilema Filipe Nyusi**;

26 Jun 2024 **Maputo (Mozambique) AIM.** The **Japanese** government commits \$1.5m towards training civil service in Mozambique;

24 Jun 2024 **Maputo (Mozambique) Club of Mozambique.** Mozambique's 20-year development plan, approved by the council of ministers, reveals that the portion of the population living below the poverty line increased from 46% in 2015 to 65% in 2022;

23 Jun 2024 **Maputo (Mozambique) Zitamar.** Security forces shoot at civilians outside a graphite mine in the **Ancuabe** district of **Cabo Delgado** province after mistaking them for insurgents;

21 Jun 2024 **Maputo (Mozambique) Club of Mozambique.** The government of **Norway** donates EUR1.8m (\$1.95m) to support community radio stations in Mozambique;

19 Jun 2024 **Maputo (Mozambique) AIM.** Officials reveal that Mozambique loses between \$60m and \$70m every year due to illegal fishing;

19 Jun 2024 **Maputo (Mozambique) Club of Mozambique.** Government forecasts that the gas sector will contribute \$80.58m in tax revenue per year until 2027;

12 Jun 2024 **Maputo (Mozambique) AIM.** The **Council of Ministers** approves Mozambique's **National Development Strategy (ENDE) 2025-2044.**

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)



Africa Risk Consulting (ARC) Pty Ltd expressly forbids the collection of information and content from ARC Briefing as data to train generative artificial intelligence models.

© Africa Risk Consulting (ARC)