

## AFRICA RISK CONSULTING

### Mozambique Monthly Briefing June 2022

#### Mozambique Summary 14 June 2022

*South Africa's Constitutional Court dismisses the Mozambique government's application to appeal a lower court's ruling for the extradition of former finance minister Manuel Chang to the United States on charges of conspiracy to commit securities fraud and money laundering. Mozambique is elected along with Ecuador, Japan, Malta and Switzerland as non-permanent members of the United Nations Security Council. Parliament passes an anti-terrorism bill to amend the 2018 law governing the prevention and deterrence of terrorism and crimes linked to terrorism. Civil society organisations claim the amendments will curtail freedom of the press and speech. The Maputo Port Development Company announces plans to invest \$1.1 billion in the Port of Maputo over a 21-year period. State-owned power utility Electricidade de Moçambique commits to a \$40m investment in solar and wind-based renewable energy projects in the country. The World Bank is set to provide additional financing to Mozambique for investment in primary sectors. Mozambique's Covid-19 infections are on the rise again.*

#### Extradition to US a step closer for Manuel Chang

Mozambique's former finance minister, **Manuel Chang**, is facing extradition from **South Africa** to the **United States (US)** to respond to charges linked to his alleged role in the sovereign debt scandal uncovered in July 2015 (see *ARC Briefing Mozambique Mar 2022*).<sup>1</sup> Chang was Mozambique's economy and finance minister between 2005 and 2015 under former President **Armando Guebuza** (2005-2015), at which time he would have overseen the signing of \$2 billion worth of loans for state-owned companies **Empresa Moçambicana de Atum (Ematum)**, **Proindicus** and **Mozambique Asset Management (MAM)** in 2013.<sup>2</sup> On 7 June, South Africa's **Constitutional Court (ConCourt)** dismissed the Mozambican government's application to appeal the **Johannesburg High Court's** ruling in November approving Chang's extradition to the US.<sup>3</sup>

The Constitutional Court's decision to dismiss the Mozambican government's application has been celebrated by some quarters of Mozambican civil society that have long been concerned that Chang would not face a genuine trial or adequate repercussions in Mozambique. The FMO has dubbed the ConCourt's decision a "small win".<sup>4</sup>

Mozambican authorities also filed the application with South Africa's **Supreme Court of Appeal** and are awaiting a final decision from this court:

*"That is the last step in the procedure which still has to be resolved... after that, there will be no further recourse."*<sup>5</sup>

#### Mozambique's "hidden debts" scandal

Mozambique's public finance scandal emerged in June 2015 over management of state-owned tuna fishing company **Empresa Moçambicana de Atum SA (Ematum)** between 2013 and 2015 (see *ARC Briefing Mozambique Jun 2015*). Ematum was incorporated in 2013 with the main purpose of investing in fisheries activities and fish resources with a particular focus on tuna (*atum*) fishing. Ematum launched Mozambique's

<sup>1</sup> Bloomberg, 7 Jun 2022

<sup>2</sup> IOL, 1 Jan 2019

<sup>3</sup> Bloomberg, 7 Jun 2022

<sup>4</sup> News24, 9 Jun

<sup>5</sup> Bloomberg, 7 Jun 2022

first dollar bond on 5 September 2014, with an interest rate of 8.5% and a seven-year maturity.<sup>6</sup> The proceeds reportedly went towards the purchase of fishing infrastructure assets and 27 new vessels.<sup>7</sup> The loans were issued with government guarantees, which were illegal, and bypassed all regulatory oversight.<sup>8</sup>

Several western donors reduced budget support and aid commitments to Mozambique in 2014 mostly due to questions over the transparency of Ematum. Protests against the state-owned company increased in June 2015, with the public demanding that then president **Armando Guebuza** (2005-2015) explain publicly how the business was established. The main concern was the level of debt the government-owned company raised:

*“It is said that this business doubled Mozambique’s public debt, and Ematum represented 53% of Mozambique’s public debt to international financial markets.”<sup>9</sup>*

The loans were only discovered in April 2016, and caused Mozambique’s debt to rise to 112% of gross domestic product (GDP).<sup>10</sup> The opposition described the Ematum bond as the greatest financial scandal since independence and demanded that Guebuza be arrested for investigation, together with Chang, who fled to **South Africa**.<sup>11</sup> Ematum made its first \$100m payment on the bond in October 2015 under then finance minister **Adriano Maleiane**, who sought to restructure the debt to lower the interest rate and extend the repayment period (see *ARC Briefing Mozambique Nov 2015*).<sup>12</sup> A majority of Ematum bondholders accepted the government’s “early exchange” bond swap offer in March 2016 (see *ARC Briefing Mozambique Apr 2016*).<sup>13</sup> However, while Mozambicans were celebrating the agreement to restructure the Ematum bond, they received news that the government had borrowed at least an additional \$787m for another state company called **Proindicus**, allegedly for buying equipment for coastal protection against pirate operations.<sup>14</sup> The **International Monetary Fund (IMF)** suspended lending to Mozambique in April 2016 after determining that the government had failed to properly disclose more than \$1 billion in loans, which violated the country’s IMF borrowing arrangement (see *ARC Briefing Mozambique Apr 2016*).<sup>15</sup> The IMF said it had stopped a \$55m loan disbursement to Mozambique after it became aware of unreported loans to Mozambique from **Credit Suisse Group AG** and **Russia-based VTB Group**.<sup>16</sup>

South African authorities arrested Chang in December 2018 on charges of wire fraud, money laundering and securities fraud over the \$2 billion hidden debt scandal.<sup>17</sup> The Mozambique and US governments had both requested that he be extradited to their respective countries over his alleged role in the “hidden debt scandal”. South African authorities were able to arrest Chang due to a US-issued **Interpol Red Notice**, which sought his extradition to the US.<sup>18</sup> In 2019, Mozambican authorities filed an application to have him extradited back to Mozambique to face charges in its own trial related to the scandal,<sup>19</sup> currently in progress (see *ARC Briefing Mozambique Mar 2022*). In May 2019, Mozambique-based budget monitoring NGO **Fórum de Monitoria do Orçamento (FMO)** applied to the South African courts to appeal a decision by then South African justice minister **Michael Masutha** to return Chang to Mozambique. South Africa’s justice minister, **Ronald Lamola**, decided in August 2021 that Chang should be sent to Mozambique (see *ARC Briefing Mozambique Sep 2021*).<sup>20</sup> The FMO challenged Lamola’s decision, expressing concern that Chang would not be prosecuted in Mozambique.<sup>21</sup> The **Johannesburg High Court (Gauteng)** ruled on 17 September that it would reserve judgement on whether Chang would be extradited to Mozambique. On 10

<sup>6</sup> Multiple sources: [www.reuters.com](http://www.reuters.com); [www.sharenet.co.za](http://www.sharenet.co.za)

<sup>7</sup> [www.thezambeian.com](http://www.thezambeian.com)

<sup>8</sup> AllAfrica, 9 Jan 2019

<sup>9</sup> Source, political analyst, Maputo, June 2015

<sup>10</sup> IOL, 1 Jan 2019

<sup>11</sup> Source, political analyst, Maputo

<sup>12</sup> [www.clubofmozambique.com](http://www.clubofmozambique.com)

<sup>13</sup> Reuters, 28 Mar 2016.

<sup>14</sup> Source, political analyst, Mozambique

<sup>15</sup> [www.wsj.com](http://www.wsj.com)

<sup>16</sup> [www.wsj.com](http://www.wsj.com)

<sup>17</sup> IOL, 1 Jan 2019

<sup>18</sup> IOL, 1 Jan 2019

<sup>19</sup> Macau Business, 30 Dec 2021

<sup>20</sup> Reuters, 10 Nov 2021

<sup>21</sup> Daily Maverick, 17 Sep 2021

November Judge **Margaret Victor** of the Johannesburg High Court ruled that Chang should be extradited to the US, holding that Lamola's decision was inconsistent with South Africa's Constitution and "*fell short of the threshold of rationality*" (see *ARC Briefing Mozambique Nov 2021*).

## Mozambique elected to UN Security Council

Mozambique, together with **Ecuador, Japan, Malta and Switzerland**, was elected a non-permanent member of the **United Nations (UN) Security Council** on 9 June, tasked with maintaining peace and security for its members.<sup>22</sup> The candidates ran largely unopposed, with Mozambique receiving 192 votes from the 192 UN members who participated in the vote.<sup>23</sup> The countries will take up their responsibilities on 1 January 2023 and will serve until 31 December 2024.<sup>24</sup> The newly-elected non-permanent members will join **Albania, Brazil, Gabon, Ghana** and the **United Arab Emirates**, which are currently carrying out their term.<sup>25</sup> The UNSC comprises 15 countries, of which **China, France, Russia**, the **United Kingdom** and the US are permanent members.

Russia's military operations in **Ukraine** are a high-priority focus area for the Council as members of the UN struggle to bring about a peace agreement between the two countries.<sup>26</sup> However, Mozambique is the only one of the five new members that opted to abstain from voting on the **UN General Assembly's** resolution on 2 March to condemn Russia's invasion of Ukraine (see *ARC Briefing Mozambique Mar 2022*).

On the domestic front, Mozambique will be keen to advance a focus on the security challenges it has faced in recent years, including the **Jihadist** insurgency taking place since late 2017, as well as a recent spate of adverse weather conditions.

## Anti-terrorism legislation risks press freedom

Mozambique's parliament passed an anti-terrorism bill on 19 May, which seeks to amend the 2018 law governing the prevention and deterrence of terrorism and crimes linked to terrorism in Mozambique.<sup>27</sup> The presence of a Jihadist insurgency in the **Cabo Delgado** region has focused the government's attention on bolstering its anti-terror legislation amid concern over threats to security of people and the development of the country's **Liquefied Natural Gas** industry, which is mainly concentrated in the north of the country.<sup>28</sup>

Government spokesperson **Nyeleti Mondlane** told parliament that the state wants to "*strengthen the law to combat terrorism*" as the country faces the "*cruel, direct impacts from terrorist attacks in the north*" where around 3,900 people have died and 820,000 are displaced as a result of the insurgency that started in the Cabo Delgado region in October 2017.<sup>29</sup> The government, backed by partners including the **Southern African Development Community**, has managed to repel fighters into smaller pockets of the region and encourage some displaced people to return to areas previously occupied by the insurgents, outbreaks of violence continue.<sup>30</sup>

The anti-terror bill has received criticism from organisations such as the US-headquartered **Committee to Protect Journalists (CPJ)** and the **Namibia-headquartered Media Institute of Southern Africa (MISA)** over a clause that provides penalties for the reproduction of false statements regarding terrorist acts, with a prison term of two to eight years.<sup>31</sup> The bill, which defines the procedures related to the designation of individuals, groups and entities linked to terrorism, and the freezing of their assets, also includes a provision for a 12-16-year prison sentence for anyone who

<sup>22</sup> Africa Times, 10 Jun 2022

<sup>23</sup> UN News, 9 Jun 2022

<sup>24</sup> Xinhua, 10 Jun 2022

<sup>25</sup> UN News, 9 Jun 2022

<sup>26</sup> Reuters, 7 May 2022

<sup>27</sup> The Defense Post, 19 May 2022

<sup>28</sup> African Business, 29 Apr 2022

<sup>29</sup> Voice of America, 20 May 2022

<sup>30</sup> African Business, 29 Apr 2022

<sup>31</sup> All Africa, 7 Jun 2022

publishes “classified information” regarding terrorism. The organisations argue that the two clauses, in their current state, threaten press freedom. MISA argues that the reproduction of statements is “one of the hallmarks of journalism” while CPJ Africa programme coordinator **Angela Quintal** called on President **Filipe Nyusi** (2015-present) not to sign the law in its current form:

*“The president must ensure they [Parliament] go a step further to protect media freedom and the public’s right to information, instead of trying to control the narrative in Mozambique’s ongoing fight against terrorism.”<sup>32</sup>*

Nyusi is nonetheless expected to sign the bill in its current form.<sup>33</sup>

### Mozambique prepares for large-scale investment

Despite the economic uncertainty prevailing in much of the world, Mozambique is experiencing an uptick in large-scale investment. The **Maputo Port Development Company (MPDC)** announced on 10 May that it plans to invest \$1.1 billion in the **Port of Maputo** over a 21-year period.<sup>34</sup> Under the agreement, the company will disburse \$701m by 2033 and the remainder (\$442m) between 2033 and 2043. The funds will support developments such as the expansion of the existing container terminal at the port, building a new access rail line, as well as an area to establish a floating power plant to produce energy to support the national grid. The MPDC expects the port to handle 54 million tonnes of cargo annually, up from the current 22 million tonnes.<sup>35</sup> The **Maputo Logistics Corridor** has contributed over \$2 billion to Mozambique’s economy over the past ten years, creating around 331,500 jobs and contributing tax revenues of \$489m.<sup>36</sup>

In further good news, state-owned power utility **Electricidade de Moçambique (EDM)** announced on 10 June a \$40m investment in solar and wind-based renewable energy projects in the country. The investment will be made through the **Renewable Energy Auction Program (PROLER)**. Each project is expected to generate 30MW of electricity each and the EDM aims to increase its current capacity by 600 Megawatts (including 200 Megawatts from renewable energy) within five years.<sup>37</sup>

The government is also heavily focused on promoting Mozambique as a business-friendly market for extractives investment, led by the LNG sector amid an improving security environment in the north of the country. Growth in the extractives sector has stalled since the start of the conflict in Cabo Delgado, with a number of firms halting their investment and operations in the region (see *ARC Briefing Mozambique Feb 2022*). Finance minister **Ernesto Tonela** opened the **8<sup>th</sup> Mozambique Mining Oil & Gas & Energy Conference and Exhibition** in Maputo on 2 June. The theme of the conference was “Sustainable Development Across the Entire Mineral And Energy Value Chain. Towards A Low Carbon Future”. US-based **ExxonMobil** confirmed on 24 May that it expects to carry out the first export of LNG from its **Rovuma** plant later in 2022.<sup>38</sup> This comes after ExxonMobil and Italy-headquartered **ENI** suspended a planned \$30 billion investment in the country’s offshore LNG sector on 18 April.<sup>39</sup> Exxon-Mobil’s project is located in the **Rovuma Basin**, approximately 40km off the coast of northern Mozambique.<sup>40</sup>

Mozambique’s funding prospects continue to improve, with the **World Bank** set to provide additional financing to the country. On 9 June the World Bank launched its public consultation process for the development of a new **Country Partnership Framework** with Mozambique for the period 2023-2027. Mozambique may receive \$4 billion from the institution, for a focus on its primary sectors including health and education. World Bank programme leader for Mozambique **Paulo Correa** noted:

<sup>32</sup> All Africa, 7 Jun 2022

<sup>33</sup> Voice of America, 20 May 2022

<sup>34</sup> Club of Mozambique, 11 May 2022

<sup>35</sup> Club of Mozambique, 11 May 2022

<sup>36</sup> Club of Mozambique, 13 May 2022

<sup>37</sup> Energy Capital & Power, 10 Jun 2022

<sup>38</sup> Reuters, 24 May 2022

<sup>39</sup> BankTrack, accessed 12 Jun 2022

<sup>40</sup> NS Energy, accessed 12 Jun 2022

*“The amount may still be increased, depending on the resources that can be made available by the **International Development Association**.”<sup>41</sup>*

In a bid to increase the participation of Mozambican citizens in global value chains and the economy as a whole, the government announced on 24 May that it is developing local content regulations, which will require international firms operating in the country to employ local firms in the production and supply of goods and services in the country.<sup>42</sup>

### **Covid-19 cases increase**

**Covid-19** cases are on the rise once again in Mozambique. As of 13 June, there were 492 recorded active cases of the disease, up from 94 cases a month earlier, bringing the total number of confirmed cases in Mozambique’s population of approximately 31.5 million to 226,481, with 2,206 Covid-19-related deaths and 223,783 recoveries from the disease.<sup>43</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 71.0% of Mozambique’s population (22.2 million people) had received at least one dose of a Covid-19 vaccine by 29 May, while 68.2% (21.3 million) had been fully vaccinated.<sup>44</sup> The country aimed to have vaccinated 16.8 million people by June 2022.<sup>45</sup>

President Nyusi extended Mozambique’s **State of Public Calamity** on 16 February and announced further changes to the restrictions in force to contain the spread of Covid-19, effective from 19 February (see *ARC Briefing Mozambique Mar 2022*).<sup>46</sup> On 20 April, Nyusi announced a transition from a State of Calamity to a **Public Health Emergency**, effective immediately. Travellers can enter Mozambique without the need to show a negative PCR test if they present a valid certificate showing proof of full vaccination against Covid-19.<sup>47</sup>

---

<sup>41</sup> Eurasia Review, 9 Jun 2022

<sup>42</sup> Club of Mozambique, 13 May 2022

<sup>43</sup> Worldometers, accessed 14 Jun 2022

<sup>44</sup> Our World in Data, accessed on 12 Jun 2022

<sup>45</sup> European Union External Action, accessed on 14 June 2022

<sup>46</sup> US Embassy in Mozambique, accessed 12 Jun 2022

<sup>47</sup> US Embassy in Mozambique, accessed 12 Jun 2022

## Planner

11-17 Jun 2022 **(Mozambique) United States** under-secretary of state for political affairs **Victoria Nuland** to meet **Mozambique's** government and civil society organisation as part of a three-country visit that also includes **Djibouti** and Nigeria;

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

10 Jun 2022 **New York (United States)** *UN News*. Mozambique is elected as a non-permanent member of the **United Nations Security Council** along with **Ecuador, Japan, Malta, and Switzerland** for a term beginning on 1 January 2023 and running until 31 December 2024;

7 Jun 2022 **Maputo (Mozambique)** *Newsires*. President **Filipe Nyusi** holds telephone talks with **Communist Party of Vietnam** general secretary **Nguyễn Phú Trọng**, agreeing to deepen ties and promote cooperation in politics, diplomacy, trade and security amongst others;

7 Jun 2022 **Johannesburg (South Africa)** *Bloomberg*. South Africa's **Constitutional court** dismisses the **Mozambican** government's appeal of a November 2021 High Court order for former finance minister **Manuel Chang** to be extradited to the **United States** to face charges including conspiracy to commit securities fraud and money laundering;

7 Jun 2022 **Cabo Delgado (Mozambique)** *Macau Business*. **Cabo Delgado** provincial governor **Valige Tauabo** calls on residents of **Ancuabe** district to return home after fleeing an armed attack on 5 June;

31 May 2022 **Cabo Delgado (Mozambique)** *All Africa*. Insurgents attack three villages in **Quissanga** district, the first attack in the district in nine months;

26 May 2022 **Maputo (Mozambique)** *Club of Mozambique*. **Mozambique Chamber of Commerce** and **Rwanda's Private Sector Federation** sign a Memorandum of Understanding to strengthen investment and trade cooperation between their two countries;

23 May 2022 **Maputo (Mozambique)** *Club of Mozambique*. Energy regulator **Autoridade Reguladora de Energia** announces fuel price increases with diesel rising to MZN78.97 (\$1.24) from MZN70.97 (\$1.11), petrol to MZN83.3 (\$1.30) from MZN77.39 (\$1.21) and kerosene to MZN71.48 (\$1.12) from MZN50.16 (\$0.79);

25 May 2022 **Cabo Delgado (Mozambique)** *News24*. Police report the beheadings of at least three people in an outbreak of violence in the **Macomia** district of **Cabo Delgado**;

19 May 2022 **Cabo Delgado (Mozambique)** *All Africa*. Local media sources report that over 30 terrorists, aged between 18 and 40, surrendered to authorities in the **Nagande** district;

19 May 2022 **Maputo (Mozambique)** *The Defense Post*. Parliament passes an anti-terror bill to amend the 2018 law governing the prevention and deterrence of terrorism and crimes linked to terrorism in Mozambique;

18 May 2022 **Maputo (Mozambique)** *World Health Organization*. Mozambique's health authorities declare an outbreak of **wild poliovirus type 1** after confirming a case in the north-eastern province of **Tete**.

### 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)