

AFRICA RISK CONSULTING

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Mozambique Summary 7 September 2023

President Filipe Nyusi (2015-present) confirms on 25 August that security forces killed a senior insurgent leader during a security force operation. This is a blow for the Ahlu Sunnah wa Jama'ah (ASWJ) militant group which, following this development, is expected to undergo a period of instability and infighting but not collapse. The London high court (United Kingdom) rules on 4 September that Nyusi cannot be sued in the UK over allegations he accepted unlawful payments related to Mozambique's secret debt scandal. This case is particularly important as Mozambique's debt burden is set to worsen after the country reaches its 2023 domestic debt ceiling. However, the country is experiencing some positive economic developments exemplified by a recent upward revision in its annual economic growth forecast.

Insurgent leader killed in battle

President Filipe Nyusi (2014-present) announced on 25 August that Mozambique's security forces had killed Ahlu Sunnah wa Jama'ah (ASWJ) operational leader **Bonomade Machude Omar** in an operation in **Macomia** district (**Cabo Delgado Province**).¹ Omar (also known as **Ibn Omar**, **Abu Sulayfa Muhammad**, and **Abu Suraka**) was considered to be ASWJ's most senior leader and the mastermind behind the group's most significant attacks, including the March 2021 assault on **Palma**.²

Although Mozambican officials have not released details on the operation targeting Omar, initial reports indicate that the ASWJ leader was killed in combat in the militant group's stronghold in **Kathupa Forest**.³ His death is a success for Mozambique's security forces as they have been trying to capture or kill the senior militant leader since at least 2020. His death will be a notable setback for ASWJ given both the central role he played in the organisation as well as the tactical and strategic strength he brought to the militant group. His death – along with that of his deputy, **Ali Mahando** (also known as **Abu Kital**) – could create a power vacuum within ASWJ which could lead to an internal power struggle. Furthermore, Omar was believed to be a key link between ASWJ and the **Islamic State (IS)**, meaning the international group will need to find a way to ensure it retains its ties with its Mozambican affiliate in the wake of the leader's death.

As stated, Omar's death will be a major blow to ASWJ, especially given the militant group's reduced state. The Islamist militant organisation is severely reduced from its peak in 2020/2021 when it reportedly boasted hundreds of members and controlled wide swathes of territory in Cabo Delgado. Ever since the arrival of soldiers from the **Rwanda Defence Forces (RDF)** and the **Southern African Development Community (SADC) Mission in Mozambique (SAMIM)** in mid-2021, ASWJ has suffered a series of strategic and territorial losses. At present, the group is only estimated to have between 180 and 220 active fighters, most of whom are centred in the group's strongholds in the **Kathupa Forest** and along the **Messalo River** in Macomia.⁴

Omar was believed to also be behind the group's adaption to the arrival of the regional security forces by shifting ASWJ back towards a decentralised low-level insurgency. His approval would also have been essential to the group's recent move towards adopting a 'hearts and minds' strategy by reducing its attacks on civilians and instead focusing on targeting security forces.

¹ VOA, 25 Aug 2023

² Bloomberg, 25 Aug 202

³ M&G, 5 Sep 2023

⁴ AP, 15 Aug 2023

Unless ASWJ's remaining leaders respond quickly and decisively to Omar's death, the group could witness an increase in defections as Omar's former followers leave. Even a small number of militants abandoning the insurgency would have an operational impact on the group. As such, ASWJ is now under pressure to prove it retains its operational capacity and can avenge its leader. This pressure could lead to the group attacking security forces within the coming weeks.

Furthermore, even if the group has been weakened by Omar's death, it is unlikely to unravel as an organisation and is expected to continue to wage its insurgency for the foreseeable future. However, his death will likely embolden the counterinsurgency forces to press forward with the current strategy of trying to contain the insurgency to Macomia and targeting and eliminating senior ASWJ militants.

President granted immunity in London lawsuit

The **London** high court (**United Kingdom**) ruled on 4 September that Nyusi cannot be sued in the UK over allegations he accepted unlawful payments related to Mozambique's secret debt scandal, agreeing with Nyusi's argument that he had immunity from the court's jurisdiction as he is a head of state.⁵ The ruling comes ahead of the 3 October trial in London in which Mozambique is seeking to revoke its sovereign guarantee for the loans issued by **Swiss**-headquartered **Credit Suisse**'s London branch claiming that the corruption which marred the deal negates this obligation. One of the defendants in the lawsuit, **Lebanese** shipbuilder **Prinvest**, claims that as Mozambique's defence minister at the time Nyusi was intricately involved in securing the controversial debt. Prinvest, and its owner **Iskandar Safa**, allege that Nyusi received \$11m worth of kickbacks from the deal which he used to fund the ruling party **Frelimo**'s 2014 election campaign. The company further argues that if they are liable then Nyusi should equally be so.⁶

Nyusi's exemption from a personal adverse finding by the court will be a major relief to the president and Frelimo as such a development could hurt the party's 2024 general election campaign. Likewise, if Nyusi had been named as a defendant on 3 October it could have caused a scandal which would have hurt the party before the upcoming 11 October local government elections.

Despite the ruling, it remains unclear whether the court will allow the defendants to subpoena Nyusi to testify before the court. Nyusi is unlikely to comply with such an order and will again claim immunity as a head of state, however, this could result in the Mozambican government losing the case and thus remaining obligated to finance the nearly \$2 billion in debt.

Government hits debt ceiling amid mixed economic indicators

The council of ministers revealed on 8 August that the government has exhausted its budgeted domestic borrowing target for 2023.⁷ This debt ceiling was set as part of the state's agreement with the **International Monetary Fund (IMF)** to gain access to the three-year \$456m **Extended Credit Facility (ECF)** arrangement. This development will force the state to either implement severe budget cuts, increase taxes, or increase its external borrowing, with the latter option the most probable given the political difficulties involved in cutting the state budget or increasing taxes in the year before a general election. This option does mean that Mozambique's \$14.47 billion debt burden will worsen further, especially given that the government has been excluded from most preferential debt and bond markets due to the 2016 revelations that it had around \$2 billion in undisclosed debt.⁸ The country will likely exceed the IMF's 102% debt-to-GDP forecast for 2023.⁹

The government's domestic debt ceiling was reached early for several factors, the most notable of which was the increase in the public sector wage bill after the introduction of reforms including the

⁵ Zitamar, 4 Sep 2023

⁶ Reuters, 4 Sep 2023

⁷ Bloomberg, 9 Aug 2023

⁸ Club of Mozambique, 27 Aug 2023

⁹ IMF, Apr 2023

single salary table.¹⁰ As a result, the cost of wages to the government increased by approximately 9.9% year-on-year.¹¹ The combination of Mozambique exceeding its domestic debt ceiling and the increased public sector wage bill has resulted in the government's repeated failure to pay state employees on time as well as the failure to service local currency bonds in June of this year, an event which **United States**-headquartered rating agency **S&P Global** described as a selective default.¹²

An increased debt burden will further constrain the state's ability to fund its reform agenda and will also further deplete foreign currency reserves as all of Mozambique's external debt is foreign-denominated. This is concerning given that the state budget report for the period 1 January to 30 June 2023 indicates that the country's net international reserves have fallen to \$3.2 billion.¹³

In a positive development, the country's **Instituto Nacional de Estatística (INE)** (national statistics agency) revealed on 14 August, that Mozambique's economy grew by 4.67% in the second quarter (Q2) of 2023.¹⁴ This was supported by an announcement by the UK-headquartered consultancy, **Oxford Economics**, revising its 2023 economic growth forecast for Mozambique to 4.4% up from 3.6% due to increased activity and increased exports in the country's liquified natural gas (LNG) sector.¹⁵ Increased LNG exports from the **Rovuma Basin** off the coast of Cabo Delgado also played an important role in the increase in the value of Mozambique's Q1 exports to \$1.7 billion, a year-on-year increase of \$4.4m.

INE also noted on 11 August that annual consumer price inflation had fallen to an 18-month low of 5.67% in July, driven by a decline in food price inflation.¹⁶ This drop in consumer price inflation will bring relief to consumers and should offset any further interest rate increases. The **Banco de Moçambique (BoM)** (central bank) elected on 31 August to retain the prime interest rate at 24.1% for September and if inflation continues to decline, BoM will consider easing interest rates in October.¹⁷

Overall, these mixed economic indicators confirm that Mozambique's economy is in a fragile position at present but is experiencing green shoots of economic growth and easing inflation. Should the government succeed in its lawsuit before the London high court and be released of its debt obligations to Credit Suisse and Prinvest, it will result in palpable economic relief as the country's debt burden would be reduced by around \$2 billion, the equivalent of 12% of Mozambique's GDP.

Planner

11 Oct 2023 (**Mozambique**) Municipal elections;
9 Oct 2024 (**Mozambique**) National general election;

Chronology

4 Sep 2023 **Maputo (Mozambique)** *360 Mozambique*. The government reveals plans to introduce a special budget to address security challenges in **Cabo Delgado** province
4 Sep 2023 **Harare (Zimbabwe)** *Club of Mozambique*. President **Filipe Nyusi** travels to **Zimbabwe** to attend the inauguration of Zimbabwean President **Emmerson Mnangagwa**;
1 Sep 2023 **Maputo (Mozambique)** *Club of Mozambique*. **Renamo** opposition party leader **Ossufo Momade** calls on the government to honour its commitments outlined in the 2019 peace accords and ensure that the upcoming elections are free and fair;

¹⁰ Club of Mozambique 11 Aug 2023

¹¹ Club of Mozambique 3 Aug 2023

¹² Bloomberg, 9 Aug 2023

¹³ Club of Mozambique, 1 Sep 2023

¹⁴ 360 Mozambique, 15 Aug 2023

¹⁵ 360 Mozambique, 27 Aug 2023

¹⁶ 360 Mozambique, 15 Aug 2023

¹⁷ 360 Mozambique, 1 Sep 2023

1 Sep 2023 **Maputo (Mozambique)** *Club of Mozambique*. President **Filipe Nyusi** hosts **Ghanaian** President **Nana Akufo-Addo** for a two-day official visit in Maputo during which the two leaders jointly condemned recent military coups in **Gabon** and **Niger**;

29 Aug 2023 **Johannesburg (South Africa)** *Mining Mx*. **South Africa's Transnet Freight Rail** reveals that chrome and ferrochrome exports from South Africa through **Maputo Port** are expected to increase by 23% to 230,000 tonnes a year highlighting the growing regional importance of Mozambique's leading port;

28 Aug 2023 **Maputo (Mozambique)** *Club of Mozambique*. The **58th Agricultural, Commercial and Industrial Fair of Mozambique (FACIM)** takes place in Maputo from 28 August until 2 September;

28 Aug 2023 **Pemba (Mozambique)** *Club of Mozambique*. Officials announce the arrest of a **Burundian** national who had been fighting for **Ahlu Sunnah wa Jama'ah (ASWJ)** for around four years highlighting the presence of foreign nationals in the insurgency;

25 Aug 2023 **Maputo (Mozambique)** *Club of Mozambique*. **Cuban** President **Miguel Diaz-Canel** arrives for an official visit aimed at boosting bilateral ties between Mozambique and Cuba;

25 Aug 2023 **Mocimboa da Praia (Mozambique)** *New Times*. Chief of general staff **Forças Armadas de Defesa de Moçambique** (armed forces), Admiral **Joaquim Mangrasso**, visits the **Rwanda Defence Forces (RDF)** base in Mocimboa da Praia (**Cabo Delgado Province**);

23 Aug 2023 **Maputo (Mozambique)** *AIM*. Officials estimate that Mozambique loses around \$1.4 million a year due to illegal mining;

23 Aug 2023 **Maputo (Mozambique)** *AIM*. **Secretariado Técnico de Segurança Alimentar e Nutricional (SETSAN)** (technical secretariat for food security and nutrition) reports that at least 3.15 million Mozambicans (around 10% of the population) experience acute food insecurity;

22 Aug 2023 **Maputo (Mozambique)** *Club of Mozambique*. Officials reveal that the government is considering launching a seventh hydrocarbon bid window for exploration and production tenders;

21 Aug 2023 **Macomia (Mozambique)** *Zitamar*. **Ahlu Sunnah wa Jama'ah (ASWJ)** insurgents ambush **Forças Armadas de Defesa de Moçambique (FADM)** (armed forces) convoy in Macomia district killing an estimated nine soldiers;

20 Aug 2023 **Maputo (Mozambique)** *AIM*. Health worker unions resume their countrywide strike on 20 August;

18 Aug 2023 **Maputo (Mozambique)** *AIM*. **Comissão Nacional de Eleições (CNE)** (national election commission) approves the list of candidates for the 11 October municipal elections;

15 Aug 2023 **Nacala (Mozambique)** *Club of Mozambique*. The **2Africa** high-speed submarine telecommunications cable officially makes landfall in Nacala providing a significant boost to Mozambique's internet capabilities;

15 Aug 2023 **Maputo (Mozambique)** *AIM*. Health officials announce that the government intends to introduce a vaccine against malaria in 2024;

15 Aug 2023 **Maputo (Mozambique)** *AIM*. Head of the **United States (US) Military's Africa Command (AFRICOM)** General **Michael Langley** arrives in Mozambique for a two-day visit during which meets with President **Filipe Nyusi** and Mozambique's senior military leaders;

15 Aug 2023 **Maputo (Mozambique)** *Bloomberg*. The latest household survey force reveals a concerning decline in female literacy in **Cabo Delgado Province** with illiteracy levels rising from 67% to 75% since 2020;

15 Aug 2023 **Maputo (Mozambique)** *Carta de Mocambique*. Government promises to complete the payment of overdue salaries of the defence and security forces by the end of the month, adding that the pending cases have already been verified;

14 Aug 2023 **Nampula (Mozambique)** *AIM*. Health officials claim that the ongoing cholera outbreak in Nampula province is now under control;

11 Aug 2023 **Maputo (Mozambique)** *AIM*. Trade and industry minister **Silvino Moreno** reveals that **Kenyan** direct investment into Mozambique reached \$76m over the past five years;

11 Aug 2023 **Maputo (Mozambique)** *Fitch*. **United States**-headquartered rating agency **Fitch** affirms Mozambique's **Long-Term Foreign-Currency Issuer Default Rating (IDR)** at 'CCC+';

10 Aug 2023 **Pemba (Mozambique)** *Defence Web*. The **Rwandan Defence Force (RDF)** confirms that has begun the troop rotation of its deployed forces in **Cabo Delgado Province**;

10 Aug 2023 **Maputo (Mozambique)** *AIM*. Mozambique's legislature passes the revised **Law on Preventing and Combating Money Laundering and Terrorism Financing** which establishes penalties and sanctions for individuals and companies found guilty of breaching the law's provisions;

8 Aug 2023 **Angoche (Mozambique)** *AIM*. The government announces plans to raise \$20m to develop a fishing port in the town of Angoche (**Nampula Province**);

4 Aug 2023 **Mueda (Mozambique)** *AfDB*. President **Filipe Nyusi** attends the launch of the \$170m **Negomano-Roma Road** project in **Cabo Delgado Province** which will enhance travel and trade with **Tanzania** once the land border crossings between the two countries reopen.

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