

AFRICA RISK CONSULTING

Mozambique Monthly Briefing April 2023

Mozambique Summary 11 April 2023

The World Bank announces on 13 March it will consider financing the development of Mozambique’s natural gas resources as a means of boosting energy access in the country. The bank also launches a \$300m credit facility to enable micro, small, and medium enterprises and individuals, to access financial services. The German government funds MozParks connection to the national grid, a development which will boost the country’s industrial sector. Riot police teargas a crowd of mourners at the 14 March funeral procession of a popular musician, prompting a spate of protests across the country, as the risk of social unrest grows ahead of the 2024 presidential and provincial elections 2024. Government requests assistance in the fight against terrorism in the north of the country from foreign militaries and member countries of the United Nations (UN) Peacebuilding Commission on 30 and 31 March. Government begins to take note of damage from Cyclone Freddy, which affected over 300,000 people after making landfall on 24 February and 11 March. The impact of the cyclone and flooding has also exacerbated poor water and sanitation conditions, causing a severe cholera outbreak.

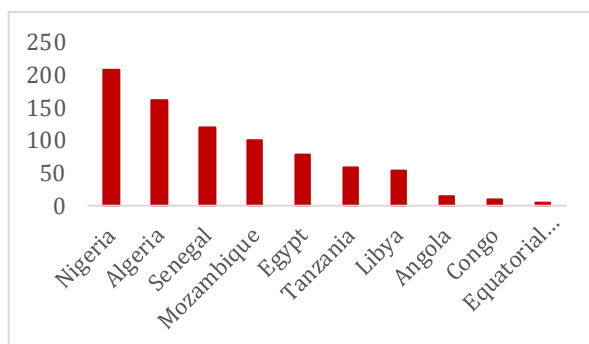
World Bank pledges financing to Mozambique

Mozambique is continuing to benefit from a resumption in donor funding, spurred by government implemented measures to improve transparency, governance and socio-economic development. These financing mechanisms are increasingly focused on supporting key drivers of economic activity in the country. The **World Bank** announced on 13 March that it will finance the development of Mozambique’s natural gas resources where it is determined that this is the “cheapest way to boost energy access” for the country’s population. The lender halted its financing of oil and gas extraction projects from 2019, aside from “exceptional circumstances”.¹ This decision was part of the bank’s commitment to more climate-friendly investments focused on cleaner energy sources.²

Liquefied natural gas (LNG) projects in the Mozambique have faced delays since the onset of the conflict in the gas-rich **Cabo Delgado** province, however, amid an improving security situation long-term prospect for revenues from its LNG sector are positive.

Strong Potential Mozambique’s LNG Sector

Proven natural gas reserves, Trillion Cubic Feet



Source: Energy Capital & Power

¹ Bloomberg, 13 Mar 2023

² World Bank, 22 Dec 2017

The bank also approved a \$300m credit facility for the **Mozambique Access to Finance and Economic Opportunities Project** on 31 March to support the government's efforts to address economic shocks and market structure inefficiencies which hamper micro, small, and medium enterprises and individuals, including informal workers, from accessing and using financial services. The project targets the creation of 26,000 jobs over a six-year period.³

In a boon for the country's industrial development, **MozParks**, Mozambique's only industrial park, is set to be connected to the national grid by mid-2023.⁴ The **German** government through **KfW Development Bank** will fund the € 28.8m (\$31.4m) project. Thus far, the industrial park, which is located in the capital **Maputo** and employs 8,000 people, has been powered by generators. This has likely been an unattractive proposition for firms, owing to the high costs and unreliability of this power form.

Social unrest risks heightened ahead of election year

Riot police used teargas on a crowd of mourners during the 14 March funeral procession for the musician **Edson da Luz**, popularly known as **Azagaia**, who passed away on 9 March.⁵ This came as the procession attempted to pass **Ponta Vermelha**, the official residence of president **Filipe Nyusi** (2016-present). Azagaia was known for his musical themes around political and social issues, which were at times critical of the authorities. In response to the teargassing, protestors announced on 17 March that demonstrations would take place across the country, except for Cabo Delgado, where police refused to issue a permit to the demonstrators.⁶

Police once again dispersed crowds preparing to begin demonstrations in Maputo and **Beira** on 18 March. The authorities allegedly used tear gas and rubber bullets on the crowd, injuring 19 people. Reports of arrests of protestors in both cities were also noted.⁷ **United Kingdom**-headquartered **Amnesty International's** deputy director for **East and Southern Africa**, **Emerlynn Gill** described the events as "*an outrageous act of unfortunate policing*" against "*defenceless*" protestors. Gill continued:

*"Police's actions, seen beating up protesters in videos... are a disturbing pattern of reckless and unlawful tactics against people during the protests."*⁸

Mozambique is approaching an election year in 2024, increased the risks of instances of social unrest as an economically strained consumer base grows increasingly frustrated with the government. Issues such as repression and violence against civic mobilisation, against a backdrop of inflationary pressures amid high food and fuel prices, increased this risk even more.

The **Mozambican Association of Oil Companies** noted on 10 April that it expects the price of fuel in the country to increase over the coming months on the back of the **Organization of Petroleum Exporting Countries'** 9 April decision to cut oil production by two million barrels per day.⁹ Fuel prices in Mozambique are a deeply emotive issue, often resulting in significant discord among the populace. Indeed, in July 2022, thousands staged disruptive protests in Maputo following a fuel price hike by the government (*see ARC Briefing Mozambique Jul 2022*).

Government seeks to ramp up terrorism fight

Defence minister **Cristovao Chume** requested assistance on 31 March from foreign military forces stationed in Mozambique in the form of knowledge sharing with the Mozambican army to curb

³ World Bank, 31 Mar 2023

⁴ Club of Mozambique, 5 Apr 2023

⁵ Al Jazeera, 16 Mar 2023

⁶ Associated Press, 17 Mar 2023

⁷ Deutsche Welle, 3 Mar 2023

⁸ Amnesty International, 18 Mar 2023

⁹ Club of Mozambique, 10 Apr 2023

extremism in the country. He made this request to the military attaches of **South Africa, Zimbabwe, Portugal, and Ukraine**.¹⁰ Prior to this, on 30 March, Nyusi called on countries at a meeting of the **United Nations (UN) Peacebuilding Commission** to help Mozambique to fight off the country's terror threat.¹¹ This call came as Mozambique held the rotating **UN Security Council's** presidency for the month of March.¹² The government and its allies have fought to repel the IS-sponsored insurgency that began in late 2017. The **Southern African Development Community (SADC) Mission in Mozambique** has led this fight, succeeding in repelling the insurgents and pushing them into smaller pockets of the region. However, persistent sporadic attacks continue, with the **UN Refugee Agency** estimating on 8 April that 1.02 million Mozambicans remain internally displaced compared to 350,000 returnees to the affected areas.¹³

Government takes note of Cyclone Freddy damage

The **UN Office for the Coordination of Humanitarian Affairs** reported on 15 March that the second landfall of **Cyclone Freddy** on 11 March has impacted nearly 94,000 people across five provinces in Mozambique. This is in addition to the over 239,000 people who were already affected by flooding in southern and central Mozambique after the storm first struck the country on 24 February.¹⁴ The latest data from disaster management service, **Instituto Nacional de Gestão de Calamidades**, notes that as of 15 March Cyclone Freddy had destroyed or partially destroyed approximately 48,134 houses and damaged 191,562 hectares of land, in addition to the 38,000 hectares lost.¹⁵ This is set to negatively impact the agriculture sector which accounted for 27.5% of GDP in 2021.

The state railway company **Portos e Caminhos de Ferro de Moçambique** announced on 4 April that the cyclone caused damage amounting to \$25.5m to its infrastructure.¹⁶ Power utility **Electricidade de Moçambique**, meanwhile, anticipates spending MZM 660m (\$10.3m) to reconnect electricity infrastructure in the **Zambezia** province alone.¹⁷ **Tigere Chagutah**, Amnesty International's East and Southern Africa director, stated:

*"Mozambique and Malawi are among the countries least responsible for climate change, yet they are facing the full force of storms that are intensifying due to global warming driven mostly by carbon emissions from the world's richest nations."*¹⁸

The decision by governments at **COP27** in November 2022 to create a funding arrangement for developing countries that are vulnerable to climate risks is thus timely. However, relief from this initiative can only be expected in the long term as a 'Transitional Committee' is only now in the process of establishing the modalities, structure and governance mechanisms for the fund.¹⁹ In the near term, these challenges pose opportunities for firms focused on "*climate-smart*" solutions targeting the agriculture and infrastructure sectors.

As government battles worst cholera outbreak in a decade

The impact of Cyclone Freddy and flooding has exacerbated the cholera situation in Mozambique, leaving the government to battle the worst cholera outbreak in a decade. The government was already battling a cholera outbreak which spread to other areas following the cyclone. At least 163 health centres were damaged during the cyclone, adding to the pressure government is facing.²⁰ **UN**

¹⁰ All Africa, 31 Mar 2023

¹¹ Voice of America, 31 Mar 2023

¹² United Nations, 31 Mar 2023

¹³ International Committee of the Red Cross, 4 Nov 2022

¹⁴ United Nations Office for the Coordination of Humanitarian Affairs, 15 Mar 2023

¹⁵ United Nations Office for the Coordination of Humanitarian Affairs, 16 Mar 2023

¹⁶ Club of Mozambique, 4 Apr 2023

¹⁷ Club of Mozambique, 30 Mar 2023

¹⁸ Amnesty International, 14 Mar 2023

¹⁹ United Nations Climate Change, accessed on 11 Apr 2023

²⁰ Africa News, 1 Apr 2023

Children's Fund (UNICEF) data recorded on 20 March that the country had 10,700 active cases of cholera, with 2,300 of those reported in the week passed.²¹

Since September 2022, 24,516 cases of cholera and 111 deaths have been confirmed.²² In the wake of the cyclone, UNICEF pledged \$1.2m in health and water and sanitation supplies as well as support for a nationwide cholera vaccination campaign targeting 410,000 people.²³ However the organisation is suffering from a \$50m funding deficit to respond to the *"immediate needs and recovery"* of those the cyclone affected.²⁴

Cholera remains an ongoing issue as Mozambique has long faced a challenge with water, sanitation, and hygiene facilities, exacerbated by the declining number of natural water sources, increasing contamination of water sources as well as limited toileting facilities. An estimated 14.8 million people in the country do not have access to clean water, while in 2020 at least 60% of the population relied on surface or groundwater for drinking.²⁵ The World Bank pledged \$250m on 21 March to launch the **Urban Water Security Project**, an initiative to support the government's efforts to improve access to drinking water in Mozambique. The project was unveiled by the public works minister, **Carlos Mesquita** and aims to support cities in the south of the country which are prone to water shortages.²⁶

Planner

11 Oct 2023 (**Mozambique**) Municipal elections;
 2024 (**Mozambique**) Provincial and presidential elections;
 2025 (**Mozambique**) Area 1 LNG production expected to commence

Chronology

10 Apr 2023 **Maputo (Mozambique)** *Club of Mozambique*. Attorney general bans the construction of a housing project to build luxury condominiums on top of a mangrove area in the **Costa do Sol (Maputo)** on the grounds that the project is *"devoid of legal grounds and violates the principles of legality and justification of administrative acts"*;

10 Apr 2023 **Maputo (Mozambique)** *Medafrica Times*. Transport minister **Mateus Magala** announces that the national airline **Linhas Aéreas de Moçambique** will be managed by **South African** firm **Fly Modern Ark** for up to one year to aid in the restructuring of the airline and prevent its bankruptcy;

10 Apr 2023 **Maputo (Mozambique)** *Club of Mozambique*. State-owned power utility **Electricidade de Moçambique** chairperson, **Marcelino Alberto**, announces that the **Zambian** government has paid off the entirety of its \$22m debt to the utility.

10 Apr 2023 **Maputo (Mozambique)** *Club of Mozambique*. Government creates a *"Commission of Reflection"* to assess and advise the government on the need to hold elections of district assemblies in 2024;

9 Apr 2023 **New Delhi (India)** *Tribune India*. **India's** external affairs minister, **Subrahmanyam Jaishankar**, announces a six-day visit to **Uganda** and Mozambique, beginning on 10 April, aimed at exploring avenues for strengthening India's ties with both countries;

²¹ United Nations Children's Fund, 20 Mar 2023

²² Club of Mozambique, 10 Apr 2023

²³ Africa News, 1 Apr 2023

²⁴ United Nations Children's Fund, 20 Mar 2023

²⁵ Ballard Center, accessed on 10 April 2023

²⁶ Afrik21, 3 Apr 2023

- 5 Apr 2023 **Maputo (Mozambique)** *Times of Zambia*. President **Filipe Nyusi** hosts **Zambian** president **Hichilema Hakainde** on a three-day state visit, during which the leaders will focus on cooperation in the areas of defence and security, transport and communications, industry and trade, mining and agriculture;
- 4 Apr 2023 **Maputo (Mozambique)** *Noticias*. The second trial in the “*hidden debts*” scandal is reportedly set to begin, although no date has yet been provided. The four accused include former finance minister **Manuel Chang**, former governor of the **Bank of Mozambique** (central bank), **Ernesto Gove**, and two members of the central bank’s board;
- 3 Apr 2023 **Lilongwe (Malawi)** *Club of Mozambique*. Transport minister **Amilton Alissone** announces plans to remove rail borders with **Malawi** and **Zimbabwe**, enabling trains to cross between these countries without restrictions or the need to change locomotives;
- 3 Apr 2023 **Maputo (Mozambique)** *Club of Mozambique*. **Mirko Manzonei**, the **United Nations Secretary General**’s special envoy to Mozambique states that the last military base of **Renamo**, the main opposition party, will be shuttered on 19 December;
- 31 Mar 2023 **Cabo Delgado (Mozambique)** *Club of Mozambique*. Workers at the **Montepuez** ruby mine, owned by **United Kingdom**-headquartered **Gemfields**, go on strike demanding increased wages and improved working conditions;
- 31 Mar 2023 **Maputo (Mozambique)** *Bank of Mozambique*. **Bank of Mozambique**’s (central bank) Monetary Policy Committee leaves the benchmark interest rate unchanged at 17.25%;
- 23 Mar 2023 **Maputo (Mozambique)** *Artemis*. The **World Bank** and the agricultural insurance and technology company **PULA** structure a \$35m cyclone reinsurance arrangement to protect Mozambique’s state insurer against the impact of claims related to storms affecting the country;
- 22 Mar 2023 **New York (United States)** *Africa News*. **Malta, Mozambique, Switzerland**, and the **United Arab Emirates**’ ambassadors announce a joint commitment to prioritise addressing climate risks, peace and security during their respective terms on the **United Nations Security Council**;
- 22 Mar 2023 **Texas (United States)** *LNG Prime*. **United States**-headquartered **ExxonMobil** announces that it aims to upgrade its project in area four of the **Rovuma Basin**, off the coast of **Cabo Delgado**, for a natural gas liquefaction plant;
- 14 Mar 2023 **Mocímboa da Praia (Mozambique)** *Club of Mozambique*. Administrator of the port of **Mocímboa da Praia** divulges that the rehabilitation of the port is expected to cost \$30m.

About Africa Risk Consulting:

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