

## AFRICA RISK CONSULTING

### Mozambique Monthly Briefing November 2020

#### Mozambique Summary 10 November 2020

*President Filipe Nyusi (2015-present) announces the easing of travel restrictions to Mozambique, removing the 10-day quarantine requirement for travellers who present a negative PCR test for Covid-19 no older than 72 hours on arrival. Active cases of Covid-19 have decreased from a high of 3,435 on 30 September to 2,064 on 8 November. The Banco de Moçambique (central bank) publishes a proposed model for a sovereign wealth fund expected to manage an accumulated \$96 billion revenue from liquefied natural gas (LNG) projects in northern Mozambique. The economy and finance ministry will manage the fund, while the central bank will implement investment policies. United States (US)-based multinational oil and gas corporation ExxonMobil delays again its investment decision on the Rovuma Basin LNG project in Cabo Delgado Province and other LNG-related projects have stalled. Escalating violence in Cabo Delgado Province continues to hit the local population and affect the outlook on LNG revenue and the sovereign wealth fund.*

#### Easing of Covid-19 regulations sparks optimism

President **Filipe Nyusi** (2015-present), addressing the nation on 29 October, said **Mozambique** will relax its travel restrictions and diplomatic missions can resume issuing tourist visas as the mandatory 10-day quarantine is removed for travellers presenting a negative polymerase chain reaction (PCR) test for **Covid-19** no older than 72 hours on arrival.<sup>1</sup> For business travellers who may need multiple entries within a shorter period, the test will remain valid for 14 days.<sup>2</sup>

The government is hoping to boost the tourism industry, hard hit by lockdown regulations to combat the Covid-19 pandemic.<sup>3</sup> The easing of travel restrictions comes just before Mozambique's holiday season begins mid-December. Although the country opened up to business travellers in August, this is the first time it has opened for leisure travellers since it entered the state of emergency on 30 March (see *ARC Briefing Mozambique March 2020*). **World Bank** data shows that in 2018, 5.5% of Mozambique's GDP came from the tourism industry, which was valued at \$331m.<sup>4</sup> Reopening the tourism sector will therefore have a positive impact on the country's economic outlook.

The situation of public calamity announced by President Nyusi on 4 September, effective from 7 September (see *ARC Briefing Mozambique September 2020*), is still in place. Visitors are required to respect regulations such as wearing masks in public and social distancing to limit the spread of the virus.<sup>5</sup> As of 8 November, Mozambique had recorded 13,768 confirmed cases of Covid-19, with 99 deaths and 11,605 recovered cases. Active cases were 2,064 on 8 November, significantly lower than the 30 September high of 3,435.<sup>6</sup> According to data collected by the international live data-collection company **Worldometer**, active cases seem to be decreasing at a steady rate, as shown below.<sup>7</sup>

<sup>1</sup> Club of Mozambique, 5 Nov 2020

<sup>2</sup> Club of Mozambique, 5 Nov 2020

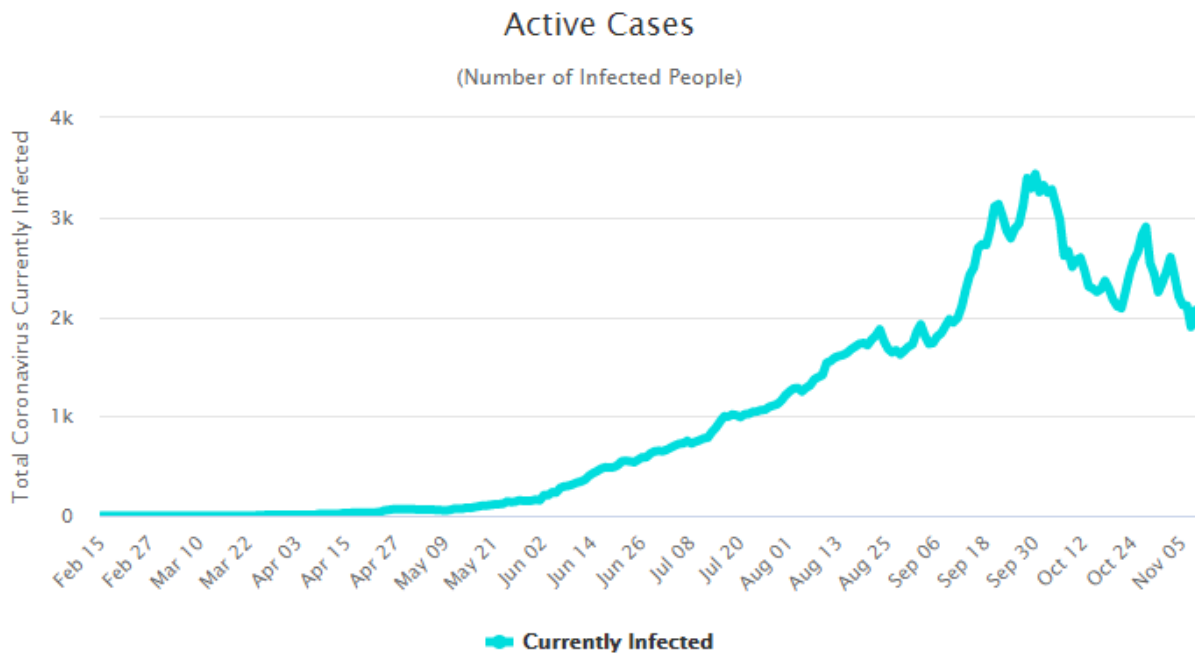
<sup>3</sup> Club of Mozambique, 5 Nov 2020

<sup>4</sup> World Bank Open Data, 9 Nov 2020

<sup>5</sup> Times Live, 4 Nov 2020

<sup>6</sup> Worldometer Covid-19, 8 Nov 2020

<sup>7</sup> Worldometer Covid-19, 8 Nov 2020



### Central bank proposes sovereign wealth fund ...

The **Banco de Moçambique** (central bank) published on its website on 12 October a proposed model for a sovereign wealth fund expected to manage an accumulated \$96 billion from the liquefied natural gas (LNG) projects in northern Mozambique.<sup>8</sup> The **Ministério da Economia e Finanças** (economy and finance ministry) will manage the fund while the central bank will implement investment policies.<sup>9</sup>

The central bank reports that an independent company will audit the fund annually and the government will not be able to use the fund for loan guarantees or servicing debt. The bank also notes that half of the state's revenue from LNG production and "*non-renewable natural resources*" will go to the fund and half to the government's budget during the first two decades.<sup>10</sup> Thereafter, 80% will go to the fund. The state can withdraw up to 4% of the previous year's revenue, but only if revenue from natural resources is at least 10% lower than expected in the budget.<sup>11</sup> The central bank will now consider public comments on the sovereign wealth fund proposal before sending it to parliament for approval. The plan is to have the fund operating before LNG revenue comes in, which is expected in 2022.<sup>12</sup>

The sovereign wealth fund has sparked optimism that LNG revenue could result in greater spending on public healthcare and infrastructure in the future, which will benefit the Mozambican population.<sup>13</sup> However, sceptics point to the possibility that public sector corruption could result in mismanagement of the country's LNG revenue.<sup>14</sup> **Germany**-based non-governmental organisation **Transparency International** ranked Mozambique 146 out of 198 countries in its 2019 **Corruption Perceptions Index**, based on perceived levels of public sector corruption according to experts and business people.<sup>15</sup> Although this is an improvement of 12 places from the previous year, Mozambique

<sup>8</sup> Bloomberg, 12 Oct 2020

<sup>9</sup> Bloomberg, 12 Oct 2020

<sup>10</sup> Daily Maverick, 21 Oct 2020

<sup>11</sup> Bloomberg, 12 Oct 2020

<sup>12</sup> Bloomberg, 12 Oct 2020

<sup>13</sup> Daily Maverick, 21 Oct 2020

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

<sup>15</sup> Transparency International, 2019

scores 26/100 where 100 is “very clean” and 0 is “highly corrupt”.<sup>16</sup> The average global country score is 46/100, while in **sub-Saharan Africa** it is 32/100.<sup>17</sup> The question remains whether the Mozambican government can manage the sovereign wealth fund so the local population benefits from expected oil and gas revenues.

### ... as oil projects stall

**United States (US)**-based multinational oil and gas corporation **ExxonMobil** has again delayed its investment decision on the **Rovuma Basin** LNG project in **Cabo Delgado Province**. The project is estimated to produce 15 million tonnes of LNG per year from an investment of \$54 billion (see *ARC Briefing Mozambique February 2020*).<sup>18</sup> Speaking at the **Mozambique Gas Summit** on 28 October, ExxonMobil’s managing director in Mozambique, **Jos Evens**, said the investment decision “depends on how the market develops in the coming months and years” and on feasibility assessments of the project.<sup>19</sup> ExxonMobil continues to record losses, announcing on 30 October that it recorded a net loss of \$680m from July to September, compared with \$3.2 billion profit in the same period last year.<sup>20</sup> The company has reduced its workforce by 15%, representing more than 14,000 jobs,<sup>21</sup> which does not look promising for the Mozambican LNG investment.

Other LNG projects in the pipeline have also slowed or trickled to a halt. **Norway**-based fertiliser company **Yara** – the world’s second largest fertiliser company – has walked away from a deal with the Mozambican government to set up a fertiliser production and distribution system in the country.<sup>22</sup> After four years of negotiating, the two parties failed to reach an agreement on the price of natural gas to produce nitrogen fertilisers.<sup>23</sup> **Anglo-Dutch** multinational oil and gas company **Royal Dutch Shell PLC**’s gas-to-liquid project in **Palma** town (Cabo Delgado province) and **United Kingdom (UK)**-based **Great Lakes Africa Energy Limited**’s gas-fired power plant project in **Nacala** city in **Nampula Province** have also not moved forward.<sup>24</sup> Unless the Mozambican government can move ahead with its oil and gas projects, it is unlikely to realise its revenue projections of \$96 billion from the LNG projects (see *ARC Briefing Mozambique April 2020*).

### Violence becomes more extreme and regional

Insurgent groups beheaded at least 50 people in **Muatide** village in **Muidimbe** district in Cabo Delgado Province between 6 and 8 November, using a local football pitch to carry out the brutal violence.<sup>25</sup> On 2 November, five adults and 15 boys were found beheaded after insurgent groups attacked an initiation ceremony also in Muidimbe district.<sup>26</sup> The violent attacks and executions have largely been claimed by **Islamic State**-related group **Ahlu Sunnah Wal Jammah (ASWJ)**, locally known as **al-Shabaab**. The local group has no known ties to the **Somalia**-based group by the same name.<sup>27</sup> In the first week of April, 52 young people were brutally killed and beheaded for refusing to join the insurgency group in Muidimbe district (see *ARC Briefing Mozambique May 2020*). The rise in extreme violence is increasing fear amongst the local population while risking LNG investments in the area.<sup>28</sup>

<sup>16</sup> Transparency International, 2019

<sup>17</sup> Transparency International, 2019

<sup>18</sup> Club of Mozambique, 28 Oct 2020

<sup>19</sup> Club de Mozambique, 28 Oct 2020

<sup>20</sup> Financial Times, 30 Oct 2020

<sup>21</sup> Financial Times, 30 Oct 2020

<sup>22</sup> Zitamar News, 4 Nov 2020

<sup>23</sup> Zitamar News, 4 Nov 2020

<sup>24</sup> Zitamar News, 4 Nov 2020

<sup>25</sup> BBC News, 10 Nov 2020

<sup>26</sup> Eyewitness News, 5 Oct 2020

<sup>27</sup> Eyewitness News, 5 Oct 2020

<sup>28</sup> ACLED, 3 Nov 2020

US-based **Armed Conflict Location & Event Data Group** reports that organised violence has killed 2,193 people, of whom 1,151 are civilians, since the violent insurgencies began in October 2017.<sup>29</sup> **France**-based international humanitarian organisation **Médecins Sans Frontières (MSF)** reports that almost a fifth of the population of Cabo Delgado province has been forced to leave their homes due to the on-going violence. The violence has displaced more than 400,000 people, with approximately 100,000 internally displaced people now seeking refuge in and around the provincial capital, **Pemba**.<sup>30</sup> MSF has called for “*urgent assistance*” to respond to the escalating humanitarian crisis.<sup>31</sup>

Fear of the violence becoming a regional conflict is already a reality. In an interview with **Tanzania’s Azam TV** on 22 October, Tanzania’s inspector general of police, **Simon Sirro**, claimed that approximately 300 militants from Mozambique had attacked villages in southern Tanzania and killed an unknown number of people.<sup>32</sup> Sirro reported that the militants attacked the village of **Kitaya** in **Mtwara** district bordering Cabo Delgado province, and the Islamic State claimed the attack in a message on its **Telegram** channels on 15 October.<sup>33</sup> This was the first time Tanzanian authorities have acknowledged that the insurgent group in northern Mozambique is active in Tanzania.<sup>34</sup> The Islamic State also claimed attacks on three “*Christian villages*” in southern Tanzania, namely **Michenjele**, **Mihambwe** and **Nanyamba**, on 28 October.<sup>35</sup> Following the attacks in Tanzania, civilians in **Pundanhar** reported rocket missiles being fired from the Tanzanian side of the **Rovuma River** on 29 and 30 October, landing in villages in **Nangade** and Palma districts and injuring at least 12 civilians.<sup>36</sup>

The escalating conflict continues to hit Mozambique’s poorest the hardest. The local population of Cabo Delgado is caught in the crossfire with civilians representing over half the fatalities. Insurgent groups continue to occupy the town of **Mocimboa da Praia**.<sup>37</sup> The failure of the **Forças de Defesa e Segurança (FDS)** (defence and security forces) to retake the town may also discourage further LNG investment given the risks involved in investing in natural resource extraction close to the epicentre of the violence, dashing local hopes for wealth to trickle down.

---

<sup>29</sup> ACLED, 3 Nov 2020

<sup>30</sup> Reuters, 23 Oct 2020

<sup>31</sup> MSF, 3 Nov 2020

<sup>32</sup> Reuters, 23 Oct 2020

<sup>33</sup> Reuters, 23 Oct 2020

<sup>34</sup> Reuters, 23 Oct 2020

<sup>35</sup> ACLED, 3 Nov 2020

<sup>36</sup> ACLED, 3 Nov 2020

<sup>37</sup> ACLED, 3 Nov 2020

## Planner

2023 **(Mozambique)** Local elections;

2024 **(Mozambique)** Provincial and presidential elections;

## Chronology

10 Nov 2020 **Maputo (Mozambique)** *BBC News*. **Islamic State** insurgent group beheads more than 50 people in **Muatide** village in **Muidimbe** district;

9 Nov 2020 **Maputo (Mozambique)** *Bloomberg*. **Mozambique supreme court** charges former finance minister **Manuel Chang** for his involvement in a \$2 billion hidden-debt scandal that has already seen three former **Switzerland**-based financial services company **Credit Suisse** bankers plead guilty to crimes in the **United States**;

3 Nov 2020 **(Africa)** *EMPEA*. **United Kingdom**-based development finance institution **CDC Group** invests an additional \$40m in **pan-African** data centre **Liquid Telecom**, after investing \$180m in 2018;

2 Nov 2020 **Maputo (Mozambique)** *Bloomberg*. Foreign affairs minister **Veronica Macamo** says the **European Union** has agreed to give Mozambique \$116m in budget support, resuming aid to the country after a scandal over undisclosed debts prompted a four-year freeze;

28 Oct 2020 **Cabo Delgado (Mozambique)** *ACLEDE*. **Islamic State** claims to have attacked three “*Christian villages*” in southern **Tanzania**, resulting in burned buildings and a looted police station;

23 Oct 2020 **Kitay (Tanzania)** *Reuters*. Police inspector general **Simon Sirro** says about 300 militants from **Mozambique** attacked a village in **Kitay** village, southern **Tanzania**, and killed an unknown number of people last week, describing an attack claimed earlier by the **Islamic State**;

21 Oct 2020 **(Africa)** *iol*. **International Air Transport Association** says four airlines across **Africa** have ceased operations due to the impact of **Covid-19** and two are in voluntary administration, with many more in serious financial distress and expected to fold without committed relief;

21 Oct 2020 **Maputo (Mozambique)** *Reuters*. Attorney general’s office says it will seek the extradition of three former **Credit Suisse** bankers implicated in a \$2 billion debt scandal that sent the country’s economy into crisis;

13 Oct 2020 **Maputo (Mozambique)** *Business Day*. Government publishes its proposed model for a sovereign wealth fund as it prepares to reap as much as \$96 billion – more than six times its current GDP – from liquefied natural gas projects;

13 Oct 2020 **Maputo (Mozambique)** *Reuters*. Health minister **Armindo Tiago** tests positive for **Covid-19** but says he is well and showing no symptoms;

10 Oct 2020 **Cabo Delgado (Mozambique)** *Bloomberg*. **European Union (EU)** ambassador **Antonio Sanchez-Benedito Gaspar** says the EU has agreed to the **Mozambique** government’s request for help with logistics, training and humanitarian aid to combat an escalating **Islamist** insurgency in **Cabo Delgado** province.

### 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)