

## AFRICA RISK CONSULTING

### Mozambique Monthly Briefing April 2022

#### Mozambique Summary 11 April 2022

*President Filipe Nyusi (2015-present) participates in a series of diplomatic engagements including the third South Africa-Mozambique Bi-National Commission hosted by South Africa's President Cyril Ramaphosa (2018-present), and hosts state visits from Portugal's President Marcelo Rebelo de Sousa (2016-present) and Zimbabwe's President Emmerson Mnangagwa (2017-present). The Liquefied Natural Gas (LNG) sector continues to bolster Mozambique's long-term economic outlook, with ratings agencies Fitch and Moody's affirming the country's sovereign debt ratings. The bidding process for new LNG licences attracts 13 bids, including two from Russia-based firms. The conflict in Cabo Delgado continues as pledges of further support from South Africa and the United States bode well for long term-improvement in the country's security situation. Humanitarian organisations claim significant underfunding is hampering their operations in the country, exacerbated by infrastructure damage caused by Cyclone Gombe, which made landfall on 11 March. The number of new Covid-19 infections remains negligible. As of 10 April, there were 46 active cases of Covid-19 in the country, down from 1,022 cases a month earlier.*

#### Government strengthens bilateral ties...

President **Filipe Nyusi** (2015-present) has embarked on a campaign to strengthen bilateral ties with neighbouring countries and former colonial power **Portugal**. On 11 March, Nyusi attended the third **South Africa-Mozambique Bi-National Commission**, hosted by **South Africa's** President **Cyril Ramaphosa** (2018-present) in **Pretoria**. The commission focused on issues such as regional security and the response to **Cyclone Gombe**, which made landfall in **Mozambique** on 11 March, and agreed to bi-annual tracking of progress made on 70 bilateral agreements signed between the two countries.<sup>1</sup>

President Ramaphosa announced his country's interest in leveraging Mozambique's large volumes of natural gas to benefit both countries as well as the wider **Southern African Development Community (SADC)** region.<sup>2</sup> Ramaphosa noted that political stability and security in Mozambique's northern **Cabo Delgado** province was essential to support investment in Mozambique's energy sector, and reiterated South Africa's commitment to fending off the insurgency in the region:

*"Energy security is vital to economic growth in our respective countries, and we look forward to significant progress towards securing and sustaining our energy needs."<sup>3</sup>*

Mozambique's minister of foreign affairs, **Veronica Macamo**, met her **Zimbabwean** counterpart, **Frederick Shava**, on 6 April. Following their meeting, Macamo and Shava announced that their respective countries are upgrading the level of their relations from a **Permanent Joint Commission**, chaired by the two ministers, to a **Bi-National Commission** chaired by President Nyusi and Zimbabwe's President **Emmerson Mnangagwa** (2017-present).<sup>4</sup> The commission was launched during a four-day state visit by Mnangagwa to Mozambique. The presidents also signed Memoranda of Understanding in the areas of higher education, science and technology and justice, and agreed to collaborate on air search and rescue operations.

<sup>1</sup> Africa News, 11 Mar 2022

<sup>2</sup> Business Tech, 14 Mar 2022

<sup>3</sup> Business Tech, 14 Mar 2022

<sup>4</sup> All Africa, 4 Apr 2022

Portugal's President **Marcelo Rebelo de Sousa** (2016-present) began a three-day visit to Mozambique, hosted by Nyusi, on 17 March. The two leaders discussed the strength of their bilateral relations, trade and investment, as well as the security challenges in Cabo Delgado.<sup>5</sup> De Sousa also visited two units of the **European Union** training mission in Mozambique.<sup>6</sup>

### ...amid positive developments in LNG sector

Despite continuing insecurity in resource-rich Cabo Delgado, Mozambique has seen some positive developments in its nascent LNG sector. The sixth licensing round for the concession of hydrocarbon exploration and production areas is underway following its November launch. The tender encompasses 16 areas on Mozambique's coastline covering 92,000 square kilometres. These include five in Cabo Delgado province, seven off the coast of **Angoche**, in **Nampula** province, two in the **Zambezi Delta**, and two in the **Save River** delta in the south of the country.<sup>7</sup> Local media sources reported on 28 March that 13 oil companies had submitted proposals for the licences including **United States (US)**-headquartered **Exxon Mobil** and **France**-based **Total Energies**.<sup>8</sup> Investors appear to be taking a long-term view of the sector's potential and the government's prospects for containing the ongoing insurgency in the Cabo Delgado region.

**Russia**-based companies **Rosneft** and **Novatec** have also reportedly submitted bids amid growing global interest in Mozambique's LNG sector. Thus far, Mozambique has opted not to take a clear stance on the ongoing conflict between Russia and **Ukraine**, abstaining from voting on the **United Nations General Assembly's** resolution to condemn Russia's invasion of Ukraine on 24 February (see *ARC Briefing Mozambique Mar 2022*). However, the Mozambican government's consideration of the Russian bids may be complicated by the raft of sanctions imposed on Russia by the US and the **European Union (EU)** in response to Russia's military operations in Ukraine, particularly in light of strengthening ties between Mozambique and western countries.

Ratings agency **Moody's** changed Mozambique's outlook to positive on 11 March, affirming its sovereign rating at 'Caa2'. Moody's attributed the rating change to the country's improved credit profile driven by increased LNG production as well as the government's efforts to strengthen public governance, which it views as a positive development for long-term policy effectiveness. Moody's cautioned about the country's level of risk of default owing to high levels of government debt as well as vulnerability to security and climate risks.<sup>9</sup> **Fitch Ratings** affirmed Mozambique's rating at 'CCC' on 15 March, reflecting elevated public debt levels as well as a high fiscus, low GDP per capita and the ongoing security situation in the country.<sup>10</sup>

### Climate and security risks drive humanitarian emergency

Another cyclone has hit Mozambique, just weeks after tropical storm **Ana** killed at least 25 people in Nampula, **Zambezia** and **Tete** provinces in late January (see *ARC Briefing Mozambique Feb 2022*). Recent severe weather systems have damaged homes and critical infrastructure, adding to the number of displaced people in the country. **Cyclone Gombe** made landfall in Mozambique on 11 March, mainly affecting Nampula and Zambezia provinces. The category three cyclone injured 108 people and caused 63 deaths, impacting around 736,015 people.<sup>11</sup> As at 25 March, 141,845 houses had been damaged or fully destroyed, as well as numerous health centres, classrooms, electricity poles, road infrastructure and crops, with the latter exacerbating food security challenges in the region.<sup>12</sup>

<sup>5</sup> Club of Mozambique, 17 Mar 2022

<sup>6</sup> Africa News, 21 Mar 2022

<sup>7</sup> Upstream Online, 24 Nov 2021

<sup>8</sup> All Africa, 28 Mar 2022

<sup>9</sup> Yahoo Finance, 11 Mar 2022

<sup>10</sup> African Markets, 15 Mar 2022

<sup>11</sup> ReliefWeb, 25 Mar 2022

<sup>12</sup> ReliefWeb, 25 Mar 2022

Damage to infrastructure is making it difficult for humanitarian organisations to conduct their operations and is preventing them from helping large parts of the population in the affected areas. **CARE Mozambique** country director **Christine Beasley** noted that the crisis in Ukraine has already strained the capacity of relief organisations:

*“Many pre-positioned relief supplies from donors are being channeled to Ukraine and **Poland**... and available supplies are running low for emergencies elsewhere, including in Mozambique.”*<sup>13</sup>

The continuing conflict in the Cabo Delgado region has exacerbated the humanitarian crisis as insurgents carry out sporadic attacks. The **United Nations High Commissioner for Refugees (UNHCR)** estimates that attacks in the **Nangande** district alone displaced around 24,000 people between January and mid-March. While authorities have increasingly been seeking to rehome individuals in the areas that have been secured by the joint forces (*see ARC Briefing Mozambique Mar 2022*), the UNHCR on 22 March cautioned them against encouraging people to return to Cabo Delgado. UNHCR spokesman **Boris Cheshirkov** called the move “*premature*”, instead calling for returns to be safe and voluntary, “*conducted with dignity and based on an informed decision, and that basic services are restored in areas of origin*”.<sup>14</sup>

The US government announced on 4 April that it had designated Mozambique as one of five countries or regions for which it will implement the **Global Fragility Act**. Under the act, the US will allocate \$1.5 billion over a five-year period to address the root causes of conflict and violence in these countries, which include **Haiti, Libya, and Papua New Guinea** as well as the region of **West Africa** comprising **Benin, Côte d’Ivoire, Ghana, Guinea, and Togo**.<sup>15</sup> Mozambique’s designation under the act is a positive development for the containment of the conflict in Cabo Delgado, given the long-term nature of the US commitment, which will enable a sustained push back against the insurgency.

Mozambique is also set to benefit from a bolstered security presence along its territorial waters. South Africa’s President Ramaphosa informed the country’s parliament on 8 April of his decision to extend the deployment of the **South African National Defence Force** to repel piracy in the **Indian Ocean** from 1 April 2022 to 31 March 2023.<sup>16</sup> The South African government first deployed these troops in 2011 in response to a spate of piracy attacks off the coast of Mozambique. Since then, maritime security has been a growing concern for Mozambique, posing particular risks for the 1,800-km long **Mozambique Channel**, a vital global shipping route responsible for around 30% of tanker traffic.<sup>17</sup>

### Covid-19 case numbers continue to fall

Mozambique continues to record declining case numbers of Covid-19. As of 10 April, there were only 46 active cases of Covid-19 in the country, down from 1,022 cases a month earlier.<sup>18</sup> As of 11 April, Mozambique had recorded an average of nine daily new cases of Covid-19, bringing the total number of confirmed cases in its population of approximately 31.5 million to 225,293, with 2,200 Covid-19-related deaths and 223,047 recoveries from the disease.<sup>19</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 44.5% of Mozambique’s population had received at least one dose of a Covid-19 vaccine by 31 March.<sup>20</sup>

President Nyusi extended Mozambique’s **State of Public Calamity** on 16 February, but announced further changes to the restrictions in force to contain the spread of Covid-19, effective from 19

<sup>13</sup> News Day, 6 Apr 2022

<sup>14</sup> UN News, 22 Mar 2022

<sup>15</sup> The White House, 1 April 2022

<sup>16</sup> News24, 8 Apr 2022

<sup>17</sup> Critical Maritime Routes, 6 May 2021

<sup>18</sup> Worldometers, accessed on 11 Apr 2022

<sup>19</sup> US Embassy in Mozambique, accessed 11 Apr 2022

<sup>20</sup> Our World in Data, accessed on 10 Mar 2022

February (see *ARC Briefing Mozambique Mar 2022*).<sup>21</sup> Relevant changes to Covid-19 restrictions include:

- The reopening of all border posts;
- The lifting of curfew throughout the country;
- An increase in the maximum number of visitors in hospitals, while a ban on visits to Covid-19 patients remains in place;
- Restaurants and bars may remain open until 11:00 pm.
- Private social events, religious services, public and private meetings and state events may now have a maximum of 500 participants indoors and 1000 outdoors, without exceeding 50% of the venue's capacity.<sup>22</sup>

## Planner

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

8 Apr 2022 **Pretoria (South Africa)** *News24*. South Africa's President **Cyril Ramaphosa** extends the deployment of the **South African National Defence Force** to repel piracy in the **Indian Ocean** from 1 April 2022 to 31 March 2023;

7 Apr 2022 **Maputo (Mozambique)** *Reuters*. **Portugal**-based energy company **Galp Energia**, a partner in an **Exxon Mobil**-led gas consortium in **Mozambique**, says it hopes to start building onshore plants in 2024, but only if security is guaranteed beforehand;

3 Apr 2022 **Maputo (Mozambique)** *Bloomberg*. **Southern African** nations consider extending the deployment of troops fighting an **Islamic State**-linked insurgency in northern **Cabo Delgado** province that prompted energy giant **TotalEnergies SE** to stall a \$20 billion natural gas project;

1 Apr 2022 **Maputo (Mozambique)** *ReliefWeb*. The government of **Japan** has committed \$5.2m to support Mozambican sustainable development and the humanitarian response to the crisis in **Cabo Delgado**;

1 Apr 2022 **Washington DC (United States)** *United States Department of State*. The **United States** government selects **Mozambique** as one of five regions and states to benefit from a \$1.5 billion investment in conflict prevention under the **2019 Global Fragility Act**;

6 Apr 2022 **Maputo (Mozambique)** *Africa News*. Mozambique's foreign affairs minister, **Veronica Macamo**, and her Zimbabwe counterpart, **Frederick Shava**, announce that their two countries are upgrading their level of relations from a **Permanent Joint Commission**, chaired by the two ministers, to a **Bi-National Commission**, chaired by presidents **Filipe Nyusi** and **Emmerson Mnangagwa**;

30 Mar 2022 **Maputo (Mozambique)** *Bloomberg*. **Banco de Moçambique** (central bank) raises key interest rate to 15.25% from 13.25%, the first increase since last January, and takes the rate to the highest since June 2018, when it was 15.75%;

<sup>21</sup> US Embassy in Mozambique, accessed 11 Apr 2022

<sup>22</sup> US Embassy in Mozambique, 9 Mar 2022

28 Mar 2022 **Maputo (Mozambique)** *Reuters*. **International Monetary Fund** and **Mozambique** reach staff-level agreement on a \$470m facility, in what will be the country's first programme since the global lender suspended support six years ago;

28 Mar 2022 **Maputo (Mozambique)** *Mail&Guardian*. Academics and journalists claim **Rwanda**-based major civil engineering group **NDP**, reportedly owned by Rwanda's President **Paul Kagame**, is in the running to win a major contract on Mozambique's liquefied natural gas project in northern province of **Cabo Delgado**;

28 Mar 2022 **Maputo (Mozambique)** *All Africa*. 13 oil companies submit bids for the sixth licensing round for the prospecting and exploration of hydrocarbons in Mozambique;

23 Mar 2022 **Maputo (Mozambique)** *Defense Web*. International non-governmental organisation **Global Initiative against Transnational Organised Crime** finds "rampant corruption and organised crime" still inherent in **Mozambique**;

17 Mar 2022 **Maputo (Mozambique)** *Africa News*. **Portugal's** President **Marcelo Rebelo de Sousa** begins a three-day visit to Mozambique, hosted by President **Filipe Nyusi**;

15 Mar 2022 **London (United Kingdom)** *Fitch Ratings*. **Fitch Ratings** affirms **Mozambique's** rating at 'CCC', citing elevated public debt levels as well as a high fiscus, low GDP per capita and the ongoing security situation in the country;

1 Mar 2022 **Paris (France)** *Yahoo Finance*. **Moody's** affirms **Mozambique's** sovereign rating at Caa2, changing the country's outlook to positive on the back of an improved credit profile and strengthened public governance;

11 Mar 2022 **Nampula (Mozambique)** *ReliefWeb*. Tropical **Cyclone Gombe** makes landfall in **Nampula** province;

11 Mar 2022 **Maputo (Mozambique)** *Africa News*. President **Filipe Nyusi** attends the third **South Africa-Mozambique Bi-National** Commission, hosted by South Africa's President **Cyril Ramaphosa** in **Pretoria**.

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