

AFRICA RISK CONSULTING

Mozambique Monthly Briefing September 2022

Mozambique Summary 12 September 2022

Nampula Province becomes the focus of increased Islamist attacks in early September. The European Union announces that it will provide additional support to the Southern African Development Community (SADC) military mission in Mozambique. Italy-based oil firm Eni's Liquefied Natural Gas (LNG) terminal is reportedly facing technical issues, risking a delay in the first cargo shipment of LNG from Mozambique. The government is investing in development of land transport infrastructure to decrease traffic bottlenecks and open up new trade routes to its regional peers, including Botswana, Eswatini and South Africa. The government announces new policies regulating entry visas and lengths of stay for foreigners, and also seeks to strengthen ties with international partners such as Ukraine and Portugal, reflecting a more outward-looking growth strategy. The Banco de Moçambique (central bank) introduces a strategy to curb money laundering and terrorism financing and promote transparency. Mozambique continues to record low case numbers of Covid-19 with 98 active cases of Covid-19 on 11 September, down from 249 cases a month earlier.

Islamist insurgents ramp up attacks outside Cabo Delgado

Conflict between the **Mozambique** government and its allies against the **Islamic State**-sponsored insurgency, ongoing since 2017, continues to create a large-scale humanitarian crisis in the northern region of the country. **Nampula, Cabo Delgado** and **Niassa Provinces** continue to face increased instability owing to the presence of terrorist groups affiliated with the Islamic State. **Vatican** news agency **Agenzia Fides** reported on 7 September the death of an 84-year-old **Comboni** nun, Sister **Maria De Coppi**, in an attack on a Catholic mission in **Chipene** (Nampula Province).¹ The attack reportedly took place during the night of 6 and 7 September, and also resulted in the destruction of the mission's structures, including a church, hospital and primary and secondary school.

President **Filipe Nyusi** (2015-present) confirmed on 7 September that Islamist militants had beheaded six people, abducted three others and set fire to homes in Nampula province, marking the third attack in the province over a five-day period. Nyusi described the attacks as a failed attempt by the insurgents to recruit more members, describing the militants as "very nervous". However, he noted positive developments such as the security forces in the north of the country taking over **Katupha Base** in **Ancuabe** district (Cabo Delgado Province), which had housed some insurgents who had been displaced from other towns and villages in the district.²

Although security forces have significantly concentrated their efforts to contain the terrorist threat in Cabo Delgado, the rising number of attacks in Nampula indicate the risk that attacks are becoming more commonplace outside of Cabo Delgado. Nampula archbishop **Inacio Saure** noted that attacks in Nampula had forced residents to flee:

*"We do not know how many people have sought refuge in the forest. It is a terrible drama and still difficult to quantify."*³

The government's international partners are taking the increased threat seriously. **United States (US)**-based **Voice of America** reported on 16 August that an internal **European Union (EU)**

¹ Agenzia Fides, 7 Sep 2022

² Voice of America, 7 Sep 2022

³ Agenzia Fides, 7 Sep 2022

document, prepared by the **European External Action Service**, recommended that the bloc increase its financial support for Mozambique's fight against terrorism "five-fold", for the mission led by the 16-member **Southern African Development Community (SADC)**.⁴ The paper recommended that the bloc provide an additional €15m (\$15.3m) in support to the troops from the six SADC countries that have sent forces to Mozambique, until 2024.⁵ Mozambique is emerging as a strong strategic partner for the EU's efforts to secure its energy supply as the conflict between **Russia** and **Ukraine** creates an urgent need for countries to diversify their gas supply chains away from Russia. The EU has pledged to cut all reliance on Russian fossil fuels by 2030.⁶ Mozambique, which has the third-largest gas reserves after **Nigeria** and **Algeria**, has strong potential to benefit from these developments over the longer term (see *ARC Briefing Mozambique March 2022*).

EU high representative for foreign affairs and security policy **Josep Borrell** visited Mozambique on 7 September, announcing that the bloc would provide the additional support to the **SADC Mission in Mozambique (SAMIM)**.⁷ SADC heads of state agreed on 18 August at a heads-of-state-summit in **Kinshasa (Democratic Republic of the Congo)**, to again extend the deployment of SAMIM in Cabo Delgado, for an undisclosed period of time.⁸ **South Africa's** President **Cyril Ramaphosa** (2018-present), outgoing chair of the **SADC Organ on Politics, Defence and Security Cooperation**, noted on 19 August the progress made by the allies in pushing back insurgents in Cabo Delgado:

*"People who had fled the various areas in Cabo Delgado are now returning to their homes, with increased confidence that SADC has been helping them to bring about peace."*⁹

... as LNG developments remain stalled

The **Coral South** floating liquefied natural gas (FLNG) project, under the management of a consortium led by **Italy**-headquartered energy company **Eni**, continues to face delays. Mozambique was set to export its first cargo of LNG from the Coral Sul FLNG vessel floating offshore Mozambique.¹⁰ **Area 4** operator **BP's** LNG tanker, **British Mentor**, was set to arrive on 24 August at Eni's floating terminal, expected to produce 3.4 million tonnes of LNG per year once fully operational.¹¹ BP has bought all the anticipated output over the next 20 years with an optional 10-year extension.¹² However, **Bloomberg** reported on 29 August that its ship-tracking data showed that the tanker had changed course to **Qalhat (Oman)** after spending days drifting on Mozambique's coast.¹³ **Italy-based Energy Intelligence** reported that Eni's terminal was facing technical issues, risking a delay in the first cargo shipment of LNG from Mozambique.¹⁴ Eni, BP and Mozambique's energy regulator, the **Instituto Nacional de Petroleo**, have provided no comment on the developments.¹⁵

The LNG project led by **France**-headquartered oil and gas firm **TotalEnergies** has been even slower. The project is expected to produce 12.88 million tonnes of LNG per year but has been delayed since TotalEnergies declared *force majeure* in April 2021 after Islamist insurgents attacked an area near the **Afungi Peninsula** where the onshore LNG facility is set for construction. However, **India**-headquartered **Bharat Petroleum Corporation (BPCL)**, a 10% shareholder in the project, told shareholders on 29 August that there are plans to resume the project within the first half of 2023. BPCL chairperson and managing director **Arun Kumar Singh** noted progress in improving security in the region:

⁴ Voice of America, 16 Aug 2022

⁵ Voice of America, 16 Aug 2022

⁶ BBC, 8 Mar 2022

⁷ Africa news, 9 Sep 2022

⁸ Bloomberg, 18 Aug 2022

⁹ Defence Web, 19 Aug 2022

¹⁰ 360 Mozambique, 22 Aug 2022

¹¹ All Africa, 5 Sep 2022

¹² Upstream, 14 Jul 2022

¹³ Bloomberg, 29 Aug 2022

¹⁴ All Africa, 5 Sep 2022

¹⁵ All Africa, 5 Sep 2022

"With the efforts of the Government of Mozambique's forces, supported by a regional coalition, progress is being made in improving the security situation in the region, and the project will resume once the security situation is stabilised in a sustainable manner."¹⁶

Government focuses on road and rail infrastructure

The Mozambique government is investing in the development of its land transport infrastructure to decrease traffic bottlenecks and open up new trade routes to its regional peers. Mozambique and its neighbours aim to strengthen regional trade by supporting increased traffic through the **North-South corridor**.¹⁷ State-owned ports and rail company **Portos e Caminhos de Ferro de Moçambique** chair **Miguel Matabele** reported on 3 September that the company had entered into an agreement with its South African counterpart, **Transnet Freight Rail**, to eliminate a rail border between the two countries, as well as another with **eSwatini Railways** to facilitate direct rail links for the transport of goods.¹⁸ **Zimbabwe's** President **Emmerson Mnangagwa** (2017-present) also stated on 3 September that his country, in partnership with **Botswana** and Mozambique, plans to build a railway line linking the two countries.

Public works minister **Carlos Mesquita** launched a project on 5 September for the rehabilitation and widening of Section 17 of the motorway from the capital, **Maputo**, to South Africa to the value of MZM1.7 billion (\$26.6m). The vital trade route connects the port of Maputo to the industrial zone of **Witbank** in South Africa. The works are expected to last 12 months and to decrease congestion on the route, a corridor for transporting cargo such as minerals. Mesquita encouraged the private sector to partner with the government in developing the country's road network.¹⁹

According to a 15 August report from Maputo-based daily newspaper **Noticias**, the government plans to pave or rehabilitate around 5,000 kilometres of road in the centre and north of the country by 2024, through funding from the EU and the **World Bank**.²⁰

Government announces visa reforms to encourage tourism and investment ...

The government announced on 16 August new policies relating to entry visas and periods of stay for foreigners. Deputy justice minister **Filimao Suaze** says the reforms aim to improve the business and operating environment, attracting more tourists as well as investments into the country, in line with the **Pacote de Medidas de Aceleração Económica** (programme for the acceleration of the economy) launched by President Nyusi in August (*see ARC Briefing Mozambique Aug 2022*). Suaze noted that the reforms aim to place the private sector at the centre of economic transformation and development.²¹ The reforms, which will be submitted for approval to parliament, include:

- Changing the current short-term tourism visa into a mixed tourism and business visa, valid for 90 days, instead of the current 30 days;
- Extending the period covered by a temporary residence permit for investors from one to two years where the investment amount reaches \$500,000 and for five years where the investment amount reaches \$50m or above;
- Waiving the entry visa requirements entirely for citizens from countries not believed to present a threat of illegal immigration; and,
- The introduction of an electronic system for visa application to enable the process to take a maximum of five days.

The government is also strengthening its ties with international partners, reflecting a more outward-looking growth strategy. Ukraine's ambassador to Mozambique, **Liubov Abravitova**, assured the Mozambique government on 19 August that Ukraine is willing to provide wheat to the country amid a

¹⁶ Financial Express, 30 Aug 2022

¹⁷ Bulawayo 24, 3 Sep 2022

¹⁸ Independent Online, 7 Sep 2022

¹⁹ All Africa, 6 Sep 2022

²⁰ All Africa, 22 Aug 2022

²¹ Xinhua, 18 Aug 2022

global shortage of wheat supplies following Russia's invasion of Ukraine in February. Over 90% of Mozambique's wheat consumption is ensured through imports, as the country has struggled to create a sustainable local wheat production chain.²²

President Nyusi opened the **57th Maputo International Fair**, the country's largest industrial, trade, and services fair, on 29 August, which hosted over 2,000 exhibitors including 350 from 22 foreign countries. Nyusi said the government aims to attract stronger investment flows in the sectors of agriculture, fishing, logistics services, renewable energies and tourism. Nyusi noted that the sericultural sector contributed 24% of economic growth during the **Covid-19** pandemic, while the transport, logistics and communications sectors contributed 9.6%, and the manufacturing sector 8.4%.²³

Nyusi hosted **Portugal's** prime minister, **António Costa**, on 2 September, for the **Fifth Luso-Moçambican Summit** where he and Costa committed to strengthen bilateral ties and cooperation in areas including defence. During the summit, the Portuguese government signed a €400m (\$404.6m) guarantee agreement with the **African Development Bank (AfDB)** under the **Lusophone Development Compact** to enable financing to private sector firms of up to 15-year loans from the AfDB in the Portuguese-speaking African member countries of **Angola, Cabo Verde, Equatorial Guinea, Guinea-Bissau, Mozambique and São Tomé and Príncipe**.²⁴

... as improved political environment supports increased aid

The World Bank disbursed \$300m to the Mozambican government on 23 August, resuming financial aid six years after suspending it following the exposure of the hidden debts scandal in June 2015 (*see ARC Briefing Mozambique June 2022*). The funds are expected to support structural reforms to improve accountability and transparency in the public office. Finance minister **Max Tonela** called this *"the first funding to support the state budget that we [the government] hope for in the next three years"*. The World Bank's support follows the **International Monetary Fund** in May granting Mozambique its first loan, to the value of \$456m, since suspending support to the country in 2016.²⁵

The World Bank also approved a further \$250m grant to build Maputo's first **Bus Rapid Transit** system servicing the **Maputo Metropolitan Area**, covering the cities of Maputo and **Matola**, and the town of **Marracuén**, to improve mobility and accessibility in the capital city. Part of the funds will be used to improve road facilities in low-income areas.²⁶ Such interventions aim to counter the impact of rural-to-urban migration, which has resulted in the area hosting the largest urban settlement in the country, raising demand for basic services such as housing, water and sanitation, and transportation.

The government has also introduced measures aiming to curb money laundering and terrorism financing and promote transparency. The **Banco de Moçambique** (central bank) announced on 5 September that travellers to and from Mozambique holding over \$10,000, or the equivalent in other foreign currencies, in bank notes or coins, must declare these funds.²⁷ The central bank aims to curb the movement of cash inside and outside of the country's borders, encouraging travellers to rely on bank cards and transfers instead. The bank also introduced a requirement for the import and export of precious metals to be accompanied by authorisation by the central bank, in addition to export papers for the minerals.

Covid-19 cases continue to decline

Active cases of Covid-19 in Mozambique continue to decline. On 11 September, there were 98 active cases in the country, down from 249 a month earlier.²⁸ As of 11 September, the total number of

²² All Africa, 22 Aug 2022

²³ Xinhua, 30 Aug 2022

²⁴ African Development Bank, 5 Sep 2022

²⁵ Africa News, 23 Aug 2022

²⁶ All Africa, 6 Sep 2022

²⁷ Mozambique News Agency, 5 Sep 2022

²⁸ Worldometers, accessed on 11 Sep 2022

confirmed cases in the country's population stood at 230,172 out of a population of approximately 31.5 million, with 2,221 Covid-19-related deaths and 227,853 recoveries from the disease.²⁹

United Kingdom-based data access project **Our World in Data**, run by non-profit organisation **Global Change Data Lab** and the **University of Oxford**, estimates that 76.93 vaccine doses per 100 people had been administered in the country by 28 August.³⁰ The US government on 29 June pledged 1,333,800 doses of US-headquartered pharmaceutical company **Pfizer's** Covid-19 vaccine and associated goods valued at \$36.5m from the **COVAX** initiative. The vaccines are expected to arrive in Mozambique on 13 September.³¹

Nyusi announced a transition from a **State of Calamity** on 20 April, downgrading the country to a Public Health Emergency, effective immediately. Travelers 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-19.³² Those who are not vaccinated must take a PCR test, no more than 72 hours before entering Mozambique. Anyone without a vaccination certificate or a negative PCR test, must remain at the point of entry until they are tested, at their own expense. Children under the age of 11 are exempt from the vaccination and testing requirement. On 31 August, Nyusi announced the lifting of the requirement for citizens to wear face masks in closed and crowded spaces. He also announced the lifting of all restrictions on the number of people who may attend funerals, advising that all health protocols must still be strictly observed at funerals of those who died from Covid-19.³³

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

9 Sep 2022 **Maputo (Mozambique) BusinessDay**. **European Union** says it will provide additional support to military forces in **Mozambique**, as **Islamist** attacks threaten gas projects meant to reduce the bloc's reliance on **Russian** energy;

7 Sep 2022 **Maputo (Mozambique) Africa News**. President **Filipe Nyusi** hosts **Portugal's** prime minister, **António Costa**, for the **Fifth Luso-Moçambican Summit** where they commit to strengthen bilateral ties;

7 Sep 2022 **Nampula (Mozambique) Agenzia Fides**. **Vatican** news agency **Agenzia Fides** reports the death of a nun following an attack on a Catholic mission in the city of **Chipene (Nampula Province)** in northern Mozambique, which took place between 6 and 7 September;

6 Sep 2022 **Cabo Delgado (Mozambique) Club of Mozambique**. **Faúσιο Mussá**, chief economist of **Standard Bank** in **Mozambique**, says in a press release he expects work on LNG plants to resume in the first half of 2023 following a decline in armed violence;

5 Sep 2022 **Maputo (Mozambique) All Africa**. Public works minister **Carlos Mesquita** launches a project for the rehabilitation and widening of Section 17 of the motorway from Maputo to **South Africa** to the value of MZM1.7 billion (\$26.7m);

²⁹ Worldometers, accessed on 11 Sep 2022

³⁰ Our World in Data, accessed on 12 Sep 2022

³¹ Mozambique News Agency, 5 Sep 2022

³² US Embassy in Mozambique, accessed 11 Sep 2022

³³ Mozambique News Agency, 5 Sep 2022

5 Sep 2022 **Maputo (Mozambique)** *All Africa*. A group of 23 international non-governmental organisations led by **Save The Children** warns of a budget deficit in terms of funding required for the humanitarian assistance of displaced people in **Cabo Delgado Province**;

30 Aug 2022 **New Delhi (India)** *Financial Express*. **India**-headquartered **Bharat Petroleum Corporation (BPCL)**, a 10% shareholder in **France**-headquartered **TotalEnergies**-led liquefied natural gas (LNG) project in **Mozambique**, confirms plans to resume the project within the first half of 2023 in light of progress towards improving the security situation in the country;

30 Aug 2022 **Maputo (Mozambique)** *All Africa*. The government of **Norway** signs a \$10m funding agreement to support the **United Nations Children's Fund** project on learning, protection and empowerment targeting 50,000 children and adolescents in northern Mozambique;

29 Aug 2022 **Maputo (Mozambique)** *Xinhua*. President **Filipe Nyusi** opens the **57th Maputo International Fair**, the country's largest industrial, trade, and services fair, which hosted over 2,000 exhibitors, 350 of which were from 22 foreign countries;

23 Aug 2022 **Cabo Delgado (Mozambique)** *AFP*. Latest offensive by **Islamic** extremist rebels in northern province of **Cabo Delgado** leads to expansion of their area, increases the number of displaced by 80,000 and undermines the government's claims of containing the insurgency;

23 Aug 2022 **Maputo (Mozambique)** *Africa News*. The **World Bank** disburses \$300m to Mozambique as the institution resumes financial aid to the country's government six years after suspending it following the exposure of the hidden debts scandal in June 2015;

23 Aug 2022 **Maputo (Mozambique)** *Mozambique News Agency*. The Mozambican government approves the **Strategy to Prevent and Combat Money Laundering, Terrorism Financing and Nuclear Proliferation (2023-2027)**;

19 Aug 2022 **Maputo (Mozambique)** *All Africa*. **Ukraine's** ambassador to Mozambique, **Liubov Abravitova**, assures the Mozambique government that Ukraine is willing to provide wheat to the country which relies on imports for 90% of its wheat demands;

18 Aug 2022 **Kinshasa (DRC)** *Bloomberg*. **Southern African Development Community (SADC)** heads of state agree at a heads-of-state-summit to extend for an undisclosed period of time the deployment of the bloc's armed forces in **Cabo Delgado**;

18 Aug 2022 **Maputo (Mozambique)** *Bloomberg*. Ship-tracking data shows **Mozambique** is poised to ship its first cargo of liquefied natural gas (LNG) overseas as the LNG tanker **British Mentor**, operated by **BP Plc**, is set to arrive on 24 August at a new floating terminal that **Italy's Eni SpA** is completing off Mozambique's northern coastline;

13 Aug 2022 **Quelimane (Mozambique)** *All Africa*. Mozambique chapter of the **Media Institute of Southern Africa** alleges that state-owned port and railway authority official **Agostinho Conde da Silva** assaulted **Txopela** newspaper and **Radio Chuabo FM** editor-in-chief **Gil Namelo**;

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