

AFRICA RISK CONSULTING

Mozambique Monthly Briefing May 2023

Mozambique Summary 11 May 2023

Maputo hosts the 9th Mozambique Mining & Energy Conference and Exhibition on 26 and 27 April, where the patron President Filipe Nyusi (2016-present) appeals for investors to return to the Cabo Delgado gas projects. Japan's prime minister Fumio Kishida (2021-present) visits Mozambique and commits on 4 May to financially aid the government's fight against the insurgency in Cabo Delgado. Oil majors continue to weigh a return to the region, considering security and cost factors. Preparations for the 2024 general elections begin with a voter registration exercise, which launches on 2 May. Instances of violence between the ruling Frelimo and opposition Renamo monitors are reported. Government also seeks to amend the constitutional requirement for district assembly elections in 2024. Nyusi cannot run in the elections, but no candidate has been nominated yet, prompting rumours of him running for a third term. Mozambique is benefiting from a more positive economic outlook in recent months as investors note the establishment of new businesses, and government reforms which are boosting investor confidence. The government struggles to contain Mozambique's worst cholera outbreak in a decade and appeals for more vaccines.

LNG projects making slow progress toward resumption

Maputo hosted the 9th Mozambique Mining & Energy Conference and Exhibition on 26 April and 27 April, providing a platform for its patron, President Filipe Nyusi (2016-present), to continue his overtures to drive an investor return to the gas-rich Cabo Delgado province amid an improved security situation.¹ Liquefied natural gas (LNG) projects in the province have faced delays since the onset of the insurgency in the province, however, in recent months, the region's security situation has improved as the government and its allies have fought to repel the insurgents. The Southern African Development Community Mission in Mozambique (SAMIM) has led this fight, succeeding in repelling the insurgents and pushing them into smaller pockets of the region, although sporadic attacks continue.

Speaking at the conference, Nyusi attempted to assure stakeholders of a secure resumption of operations at the project, noting:

"The working environment and security in northern Mozambique make it possible for TotalEnergies to resume its activities any time"²

Following the conference, Nyusi met with Japanese prime minister Fumio Kishida (2021-present). Kishida committed on 4 May to financially aiding the Mozambican government's fight against the insurgency, noting that security in Cabo Delgado is "paramount" for Japanese companies operating in the region.³ Kishida also committed to supporting the resumption of the local LNG sector's development in the region.⁴ Japan will provide Mozambique with air navigation equipment amounting to \$22.5m as well as a surveillance vessel worth \$830,000.⁵

¹ ESI Africa, 21 Apr 2023

² Voice of America News, 28 Apr 2023

³ Africa News, 5 May 2023

⁴ Africa News, 5 May 2023

⁵ Africa News, 5 May 2023

Japan imported approximately 71.99 million tonnes of LNG in 2022, making it the largest importer of the energy source in the world, closely followed by **China**.⁶ The Japanese firm **Mitsui** owns a 20% stake in the gas project led by **French** giant **TotalEnergies** (which has a 26.5% in the project), valued at \$20 billion. The consortium was forced to declare force majeure on the project in April 2021 after attacks escalated in the nearby town of **Palma**, resulting in the deaths of a number of civilians.⁷

The CEO of TotalEnergies, **Patrick Pouyanne**, appointed human rights expert **Jean-Christophe Rufin** to assess the security and humanitarian situation in Cabo Delgado in February. His assessment will aid the company in its decision regarding the resumption of operations (*see ARC Mozambique briefing Feb 2023*). TotalEnergies spokesperson **Stephanie Platat** noted on 26 April that the decision to resume would need to be unanimous amongst the consortium members, with an understanding of the security situation.⁸ Meanwhile the general director of **Exxon Mobil Mozambique**, **Arne Gibbs**, also reiterated calls for long-term stability and security in Cabo Delgado as a prerequisite for the firm to resume its \$30 billion liquefied natural gas project offshore Mozambique. The firm also suspended its project in 2021 after the attack in Palma.

In a positive development, **Italy**-headquartered oil and gas major **Eni SpA** confirmed on 20 April that it will drill Mozambique's first offshore exploration well "*in about eight years*". The firm has reportedly begun initial drilling at the existing **Raia-1** well that will then explore a potential new oil and gas basin off the coast of Mozambique.⁹ Eni operates the **Coral Sul** floating LNG project offshore Mozambique and is partnered with **Exxon Mobil**, **Portuguese**-based **Galp Energia**, **China National Petroleum Corporation** and **Korea Gas Co.** in the project.¹⁰ The project began producing LNG in October 2022.¹¹

Should the current security improvements persist in the country, with more civilians returning to the areas it will raise the likelihood of more investors being persuaded of the safety of their staff and infrastructure over the long term and opting to resume their operations during 2023. However, investors may also opt to observe any political risks from the upcoming elections in the country set for 2024, as political stability will also be vital for their operations.

As 2024 election preparations get underway

Preparations for the 2024 general elections are well underway with the country currently undergoing a voter registration exercise. The **Secretariado Técnico de Administração Eleitoral (STAE)** (technical secretariat for electoral administration) announced on 2 May that it had registered 1.8 million people in the first ten days of launch, amounting to 18% of the targeted 9.9 million people. The voter registration is highest in the province of **Gaza** at 29% of the target, and lowest in the provinces of **Nampula**, **Tete** and **Zambézia**, which have a high opposition presence. STAE acknowledged that the process has faced challenges including issues with printing registration cards, non-operational registration centres and IT challenges.¹²

The voter registration process has also experienced reports of violence between monitors from the ruling **Frelimo** and **Renamo** parties. Media correspondents reported fighting between the parties in **Angoche (Nampula)** and **Chimoio (Manica)** on 28 April after Frelimo monitors accused Renamo of attempting to register voters from outside of the municipal boundary.¹³ This is a further instance which tests the existing peace deal between the two parties, which ended armed hostilities between them in August 2019.¹⁴

⁶ LNG Prime, 23 Mar 2023

⁷ Reuters, 26 Apr 2021

⁸ Al Jazeera, 26 Apr 2023

⁹ Bloomberg, 24 Apr 2023

¹⁰ Energy World.com, 28 Apr 2023

¹¹ Bloomberg, 24 Apr 2023

¹² All Africa, 2 May 2023

¹³ All Africa, 28 Apr 2023

¹⁴ Al Jazeera, 1 Aug 2019

Mozambique's second-largest opposition party, the **Movimento Democrático de Moçambique**, asked on 8 May that a referendum be held to determine if elections for district assemblies should be held in 2024.¹⁵ The district elections were first introduced under decentralisation measures mandated by the constitutional amendments of 2018. These stated that the first district elections would be held in 2024 but did not provide guidance regarding the powers of the district assemblies, and their role relative to the existing provincial and municipal assemblies.¹⁶

The government has also expressed concerns regarding the viability of the district elections. The government established a commission on 5 April to conduct nationwide consultations regarding the elections. The commission concluded on 2 May that the district elections are currently not viable. In response, parliament submitted a draft constitutional amendment to parliament's governing board which maintains the requirement for district elections but removes the requirement for these to be held in 2024.¹⁷ The anti-corruption organisation **Centro de Integridade Pública** has stated that the decision to postpone the election of district assemblies was "*based on biased hearings*".¹⁸ The organisation also accused the commission of being created with poor intentions:

*"...Created by the Government with the intention of validating a position taken by the segments that hold political influence in the country, which for a year have been advocating the postponement of the district elections."*¹⁹

Notably, the decentralisation measures were a vital part of the peace deal reached between Frelimo and Renamo, thus the proposed amendments to the constitution are likely to further heighten tensions between the two parties.²⁰ The looming elections have also raised questions regarding Frelimo's succession plan ahead of the general elections. Nyusi is limited to two presidential terms, as set out in the constitution, requiring the party to select a new successor to contest the upcoming 2024 elections. However, the party has not yet done so, piquing suspicion that Nyusi may attempt to seek a third term. A lack of certainty regarding the party's successor may also drive-up political risk in the country, further weighing on investor sentiment.

Improving fundamentals support economic recovery

An **International Monetary Fund** team visited Mozambique from 24 April to 5 May to carry out discussions with the government over the second review of Mozambique's **Extended Credit Facility (ECF)** arrangement with the IMF. Following the visit, the team lead **Pablo Lopez Murphy** described the discussions as "*constructive*" noting momentum in Mozambique's post-Covid economic recovery supported by activity in the LNG sector, particularly from the Coral Sul project. He also remarked on a "*weaker than expected*" fiscal performance for 2022, citing public sector wage bill slippages. On the upside, Murphy highlighted the government's reforms which have boosted confidence, including the draft **Sovereign Wealth Fund** law which was submitted to parliament by end-December and two structural benchmarks related to budgetary planning and financial programming which were also met by the government.²¹

The visit, and somewhat positive feedback, emphasise that Mozambique is benefiting from a more positive economic outlook. Indicative of this, the **South Africa**-headquartered **Standard Bank** released its **Purchasing Managers Index** for April on 5 May, which found that Mozambican firms experienced an improvement in business conditions for the third consecutive month, "*to the greatest extent since July 2022*". The bank attributed this to a "*stronger rise*" in new business which supported an expansion in output as well as an increase in employment. However, purchasing activity declined

¹⁵ Club of Mozambique, 8 May 2023

¹⁶ Club of Mozambique, 8 May 2023

¹⁷ All Africa, 4 May 2023

¹⁸ Club of Mozambique, 8 May 2023

¹⁹ Club of Mozambique, 8 May 2023

²⁰ All Africa, 3 Apr 2023

²¹ International Monetary Fund, 8 May 2023

for the first time in three months, which the bank attributed to cashflow challenges.²² **Banco de Moçambique** (central bank) and **Associacao Mocambicana de Bancos** (Mozambican association of banks) also decided on 8 May to maintain the reference rate, the cost premium and the prime rate to be enforced at credit institutions in the country for the month of May. The prime rate remains at 23.50% for May, compared to 19.10% a year earlier, while the reference rate remained at 17.25%.²³

Cholera outbreak worsens

The government is struggling to contain the country's worst cholera outbreak in a decade, with at least 28,000 cases reported since February. The government has asked the **World Health Organization** for an additional 2 million doses of a cholera vaccine to bolster the 2.4 million doses the **United Nations Children's Fund (UNICEF)** has already distributed. battles the outbreak.

The government was already battling a cholera outbreak when **Cyclone Fredy** made landfall on 24 February and then again on 11 March, exacerbating the situation. UNICEF recorded that the cyclone resulted in the destruction of 100 health facilities as well as 250 water points in the country, preventing approximately 300,000 people from accessing drinking water.²⁴ UNICEF recorded on 20 March that the country had 10,700 active cases of cholera, with 2,300 of those reported in the week passed.²⁵ To prevent the periodic outbreaks of cholera, Mozambique requires investment in water, sanitation, and hygiene facilities, as the number of natural water sources in the country declines. It is estimated that 14.8 million people do not have access to clean water, while in 2020 at least 60% of the population relied on surface or groundwater for drinking.²⁶

Planner

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

Chronology

9 May 2023 **Nampula (Mozambique)** *All Africa*. **Nampula** provincial electoral commission report shows that **Charles João Amade**, the director of **Secretariado Técnico de Administração Eleitoral**, assisted by the supervisor of the **Ribáuè Sede** area and the clerk of **Quitelene** (Ribáuè Sede) registration posts conducted voter registration "*in Iapala-Sede, around 9pm, outside normal hours as well as outside the premises of the voter registration brigades.*" The three were dismissed and criminal proceedings were opened against them;

5 May (**Mozambique**) *Tech Cabal*. **South Africa**-headquartered mobile operator **Vodacom** launches Mozambique's first 5G network. The network will be rolled out across selected sites in **Maputo, Matola, Nampula, Nacala, Munhava, Maquinino, and Chipanga**;

5 May 2023 **Maputo (Mozambique)** *Club of Mozambique*. **Hidroeléctrica de Cahora Bassa**, the state-owned hydro firm, announces an 11.6% dividend increase for its shareholders compared to 2022. The firm's board approved dividends of 44.92% on MZM 9.2 billion (\$144.3m);

4 May 2023 **Maputo (Mozambique)** *Xinhua*. Transport minister **Mateus Magala** states that the country plans to establish an electric vehicle manufacturing plant "*in the coming years*" and aims to begin manufacturing electric buses within the country "*even next year*";

²² Standard Bank Mozambique PMI, 4 May 2023

²³ Club of Mozambique, 8 May 2023

²⁴ Africa News, 25 Apr 2023

²⁵ United Nations Children's Fund, 20 Mar 2023

²⁶ Ballard Center, accessed on 10 April 2023

4 May 2023 **Maputo (Mozambique)** *IRJ*. **Agostinho Langa Júnior**, chairman of the board of directors of **Portos e Caminhos de Ferro de Moçambique**, announces plans to complete rehabilitation works on the 318km railway line running between the port of **Beira** and **Machipanda** near the border with **Zimbabwe**. The \$200m project will enable the line to carry up to 300 million tonnes of freight per year;

4 May 2023 **Maputo (Mozambique)** *All Africa*. State-owned electricity company, **Eleccompany, Electricidadee (EDM)**, records its highest ever net profits for the 2022 financial year, recording net profits of MZM 5.2 billion (\$81.6m), compared to MZM 2.1 billion (\$32.9m) in 2021;

2 May 2023 **Maputo (Mozambique)** *Carta de Moçambique*. Interior ministry announces temporary suspension of prior registration for visitors from countries exempt from presenting an entry visa;

1 May 2023 **Inhambane (Mozambique)** *Energy Voice, Club of Mozambique*. Mozambique's oil regulator **Instituto Nacional de Petroleo** announces that the **South African** oil and gas firm **Sasol** has discovered gas in the **Bonito-1** exploration well in **Inhambane** province;

28 Apr 2023 **Maputo (Mozambique)** *Zawya*. **Japanese** government announces its state minister, **Yamada Kenji**, will visit Mozambique and **Mauritius** from 1 May to 6 May, and will be accompanied by 50 people representing Japan's business community, government agencies and organisations;

26 Apr 2023 **Cuamba (Mozambique)** *All Africa*. **Marcelino Alberto**, chairman of the board of directors of state-owned, **Eleccompany, Electricidadee (EDM)** states that the construction of a solar power plant in Cuamba (**Niassa**) will be concluded by end-May. It will generate 15 megawatts of electricity on completion.

20 Apr 2023 **Maputo (Mozambique)** *Club of Mozambique*. **Eldevina Materula**, the culture and tourism minister states that Mozambique is currently recording an average of 16,000 foreign tourists per week;

19 Apr 2023 **Maputo (Mozambique)** *Club of Mozambique*. **Port of Maputo** announces that cargo handled by the port rose from five million tonnes in 2003 to 26.7 million in 2022, a growth of more than 500%.

19 Apr 2023 **Maputo (Mozambique)** *Club of Mozambique*. Attorney-general **Beatriz Buchili** divulges that corruption has cost the country MZM 617m (\$9.7m) in 2022;

15 Apr 2023 **Maputo (Mozambique)** *Carta de Moçambique*. Economy and finance minister **Adriano Maleiane**, on the sidelines of the spring meetings of the **World Bank** and the **International Monetary Fund** in **Washington (US)**, calls for the involvement of all nations in mitigating the impacts of climate change;

13 Apr 2023 **Maputo (Mozambique)** *Carta de Moçambique*. **Empresa Nacional de Hidrocarbonetos' (ENH)** consolidated 2021 report shows that ENH and its 10 affiliated firms' debt continued to rise sharply in 2021, despite efforts to liquidate it, with total loans accounted for until December 2021 recorded at \$3 billion, against \$2.9 billion recorded in 2020;

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 whistle-blower support on one end to crisis media management and regular monitoring on the other.

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

Getting in touch

Please contact us by email info@africariskconsulting.com or call + 44 (0) 20 7078 4080

Follow us on Twitter: [@ARCBriefing](https://twitter.com/ARCBriefing)