

## AFRICA RISK CONSULTING

### Mozambique Monthly Briefing November 2023

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#### Mozambique Summary 7 November 2023

*Opposition supporters stage demonstrations across Mozambique protesting alleged election fraud in the 11 October municipal elections which were overwhelmingly won by the ruling party Frelimo. The government's settlement agreement with Swiss-headquartered Credit Suisse is revealed via court documents filed with the London high court (United Kingdom) on 23 October. Italian energy firm Eni is reportedly expecting to increase its investment in Mozambique's natural gas sector. Supporting this, Eni CEO Claudio Descalzi accompanies Italian prime minister Giorgia Meloni (2022-present) during her visit to Mozambique on 13 October. Survivors and families of victims of the March 2021 militant attack file charges against France's TotalEnergies on 10 October accusing the firm of negligence and indirect manslaughter. Reports indicate that Ahlu Sunnah wa Jama'ah (ASWJ) militants are moving into southern districts of Cabo Delgado.*

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#### Disputed municipal elections fuel protests in urban centres

As of 6 November, at least seven people have been killed in civil unrest that has seen security forces using heavy-handed tactics to disperse opposition-led protests challenging the 11 October election results which saw the ruling party, **Frelimo**, secure a controversial sweeping victory.<sup>1</sup> The municipal elections took place countrywide on 11 October in a tense political atmosphere fuelled by opposition claims that the government was planning on committing electoral fraud (*See ARC October Mozambique Briefing*).

Opposition protests accusing the government of stealing the election began on 17 October, shortly after tabulation centres across the country started releasing initial results, showing a stronger-than-expected performance by Frelimo. Notably, the official results released by the **Comissão Nacional de Eleições (CNE)** (national election commission) contrasted strongly with parallel counts performed by independent watchdogs and non-governmental organisations. A parallel count by Mozambique's **Centre for Public Integrity (CIP)** found that the country's largest opposition party, **Renamo**, had a strong electoral showing securing a majority of votes in several municipalities most significantly, the capital **Maputo** and neighbouring **Matola**.<sup>2</sup>

Renamo filed several legal applications for ballot recounts, several of which were accepted after the courts agreed that irregularities had occurred including local CNE officials using false tabulation sheets when announcing the results at counting centres.<sup>3</sup> Yet, despite this and the subsequent recount, the CNE upheld the initial results and declared on 26 October that Frelimo had won 64 of Mozambique's 65 municipalities with only **Beira (Sofala Province)** remaining under the control of Mozambique's third largest party, the **Movimento Democrático de Moçambique (MDM)**.<sup>4</sup> These results marked a major loss for Renamo which had governed eight municipalities since the 2018 municipal elections.

Renamo and MDM immediately dismissed the CNE's official results and alleged that the Frelimo-led government had committed widespread electoral fraud. The opposition parties called for protests to condemn the results leading to demonstrations being held across urban centres. Security forces responded aggressively to these protests leading to the aforementioned fatal unrest.

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<sup>1</sup> Club of Mozambique, 18 Oct 2023

<sup>2</sup> Mozambique News Reports, 23 Oct 2023

<sup>3</sup> Club of Mozambique, 19 Oct 2023

<sup>4</sup> Club of Mozambique, 26 Oct 2023

Importantly, independent observers and civil society organisations concur with Renamo and the MDM and have said the vote failed to be free, fair, and transparent. In a scathing report released on 16 October, the CIP detailed widespread instances of irregularities during the election, including police forcibly preventing observers from accessing counting stations, ballot box stuffing, ballots being taken to undisclosed locations instead of tabulation centres, and the tampering of results notices.<sup>5</sup> In total, the CIP believes that at least 18 of the 64 municipal elections were marred by serious irregularities and its parallel count shows that Renamo actually won the municipalities of **Angoche, Chiure, Gurué, Ilha de Moçambique, Maputo, Matola, Nampula, and Quelimane**.<sup>6</sup>

Highlighting the legitimacy with which the CIP's parallel count is viewed and the organisation's allegations, the **Ordem dos Advogados de Moçambique (OAM)** (Mozambican bar association) on 19 October called for the dissolution of the CNE claiming that the electoral commission conspired to deliver a specific result.<sup>7</sup> The OAM fell short of accusing the government of stealing the election but did state that the election lacked the necessary transparency.

Notably, Mozambique's apex court, the constitutional court, on 31 October, agreed that Renamo had provided enough evidence to prove election tampering in at least one municipality - Quelimane.<sup>8</sup> However, despite this, the **Conselho Constitucional** (constitutional council) is expected to authenticate the results in the coming days ensuring that Frelimo secures control of 64 of the 65 municipalities despite the strong evidence that this does not reflect the true result.

The widespread belief that the municipal elections were essentially stolen will undermine Mozambicans' faith in the country's democratic process. This is a poor indicator ahead of the 9 October 2024 general election and opposition parties and voters are unlikely to believe that the general election will be free, fair, and transparent given the CNE's failure to meet these standards in the municipal elections. Such a loss of faith in elections is concerning, especially given that the ability to win political power through elections was a fundamental pillar of the 2019 peace accords which ended Renamo's insurgency. However, Renamo is unlikely to return to waging an insurgency in the near future as the majority of the opposition party's guerillas have completed the disarmament, demobilization, and reintegration (DDR) process, although, it is believed that Renamo has not truly handed over all of its weapon caches.

Renamo has additionally boycotted participating in Mozambique's legislature – **Assembleia da República** – since 19 October in protest of the alleged electoral fraud, a clear sign that the opposition party and erstwhile rebel group are losing faith in Mozambique's political institutions. At present, Renamo is expected to continue to pursue its protest campaign to pressure the constitutional council to order election reruns.

This is an existential moment for Mozambique's political opposition and its leaders. Failure to prove that it can hold Frelimo accountable and prevent alleged widespread election malfeasance will undermine opposition supporters' faith in these parties. This is particularly significant for Renamo leader **Ossufo Momade** who led Renamo into the 2019 peace agreements with the promise that the party could win control over municipalities and provinces at the ballot box.

### Details of 'hidden debt' settlement revealed

Documents filed with the **London** high court (**United Kingdom**) on 20 October revealed that the Mozambican government has agreed to pay \$130m as part of its out-of-court settlement with **Swiss** bank, **Credit Suisse**.<sup>9</sup> The settlement was reached between the government and Credit Suisse's parent company, **UBS**, on 1 October.<sup>10</sup> Mozambique sued Credit Suisse for \$1.5 billion in damages and to be

<sup>5</sup> CIP, 16 Oct 2023

<sup>6</sup> CIP, 26 Oct 2023

<sup>7</sup> 360 Mozambique, 20 Oct 2023

<sup>8</sup> Club of Mozambique, 3 Nov 2023

<sup>9</sup> Club of Mozambique, 20 Oct 2023

<sup>10</sup> Africa News, 2 Oct 2023

released from its sovereign debt obligations to the bank. The matter was related to the nearly \$1 billion in debt Mozambique secured from Credit Suisse which formed nearly 50% of the \$2 billion in undisclosed debt taken out by state-owned companies which was revealed in 2016 leading to a financial crisis in Mozambique. The funds had been used to secure maritime equipment and tuna fishing vessels. Mozambique claimed that since its dealings with Credit Suisse had been marred by corruption and kickbacks it should be released from its obligations (*See ARC October Mozambique Briefing*). However, it should be noted that the government is proceeding with its \$3 billion lawsuit against the **Emirati** shipbuilder, **Prinvest**, which provided the vessels and equipment involved in the deal.<sup>11</sup>

Under the terms of the settlement agreement, Credit Suisse will release Mozambique of its debt repayment obligations to the bank which was equal to approximately \$450m, however, Mozambique must pay \$130m owed to third parties which bought into the syndicated loan.<sup>12</sup> This agreement will be most welcomed by Mozambique's treasury as it essentially equates to a substantial net debt relief of \$320m. **Banco de Moçambique (BoM)** (central bank) governor **Rogério Lucas Zandamela** noted that this settlement has relieved some pressure on Mozambique's foreign exchange reserves.<sup>13</sup>

Any debt relief is a positive development for Mozambique, with its external public debt estimated to be equal to around 71.1% of GDP.<sup>14</sup> The **International Monetary Fund (IMF)** estimated that Mozambique will spend \$2.27 billion in servicing its debt this year, making debt servicing among Mozambique's most significant expenditure items with the country spending more on paying down debt than funding the national healthcare system.<sup>15</sup>

### Italy's Eni anticipates increased LNG investment as TotalEnergies faces issues

The consortium led by **Italy's Eni**, which operates the **Coral Sul** floating liquified natural gas (FLNG) platform in Area 4 of the **Rovuma Basin**, appears set to expand its investment. On 10 October, **United Kingdom**-headquartered **Reuters** reported that according to sources directly involved in the project, ENI is hoping to reach a final investment decision by the end of June 2024.<sup>16</sup> The Eni-led consortium is the first commercially viable project to go online in the gas-rich Rovuma basin off the coast of the northern province of **Cabo Delgado**. The project began exporting LNG in November 2022 and is estimated to have boosted Mozambique's GDP by 6.5% in the past year.<sup>17</sup> Eni's latest plans show that the new platform -**Coral Norte** - will cost approximately \$7 billion and should begin commercial operations in 2027.

Eni views its Mozambique operations as key to its long-term future, a fact which was underscored when Eni CEO **Claudio Descalzi** accompanied Italian prime minister **Giorgia Meloni** (2022-present) during her visit to Mozambique on 13 October.<sup>18</sup> Meloni made a point of praising the potential of Mozambique's LNG sector during her meeting with President **Filipe Nyusi** (2014-present). Meloni's decision to bring Descalzi suggests that she sought to promote Eni's position in Mozambique, while also likely to apply subtle pressure on Nyusi to ensure that Mozambique's state-owned hydrocarbons company, **ENH**, raises its share of the capital required for the FID to proceed.

While Eni may be bullish about its prospects in Mozambique, **French** energy giant **TotalEnergies** continues to experience issues related to its suspended LNG development in Cabo Delgado. Survivors and families of victims of the March 2021 militant attack on **Palma** filed charges against

<sup>11</sup> Reuters, 17 Oct 2023

<sup>12</sup> Club of Mozambique, 23 Oct 2023

<sup>13</sup> 360Mozambique, 1 Nov 2023

<sup>14</sup> IMF, 13 Jul 2023

<sup>15</sup> 360Mozambique, 1 Nov 2023

<sup>16</sup> Reuters, 10 Oct 2023

<sup>17</sup> 360Mozambique, 27 Oct 2023

<sup>18</sup> Club of Mozambique, 13 Oct 2023

TotalEnergies with French prosecutors on 10 October accusing the firm of negligence and indirect manslaughter.<sup>19</sup>

The appellants allege that TotalEnergies failed to take sufficient safety precautions to ensure the security of its sub-contractors in Cabo Delgado and further failed to take the necessary actions to rescue them once the attack began. TotalEnergies has rejected these charges, but the matter will likely create public relations difficulties for the company especially if prosecutors elect to proceed with the charges. Accordingly, TotalEnergies could further delay restarting operations at its LNG development to ensure that its current security precautions are beyond reproach.

### Insurgents are believed to be attempting to move southwards

The ongoing **Islamist** insurgency waged by the **Ahlu Sunnah wa Jama'ah (ASWJ)** militant group remains the most serious security concern in Mozambique despite the efforts by counterinsurgency forces. These concerns have increased in recent weeks following several reports that ASWJ insurgents have slipped past counterinsurgency patrols and moved southwards into the **Quissanga** and **Metuge** districts in Cabo Delgado.<sup>20</sup>

ASWJ fighters have not been seen in these areas in nearly a year and indications that they have returned have raised concerns that the group may be planning attacks outside of its strongholds of **Macomia** and **Mocimboa da Praia** districts. Adding to the government's worries, ASWJ fighters have become more difficult to identify and target in the past year due to the group's reduced size following successful efforts by Mozambican and regional forces to combat the insurgents.

The government will be particularly worried about these developments as its claims that the insurgency has been confined to a limited territory underpins its efforts to drive investment in the energy and mining sectors in Cabo Delgado. A major attack carried out in Cabo Delgado's southern districts would undermine trust in Mozambique's ability to contain ASWJ.

### Planner

22 – 23 Nov 2023 **Maputo (Mozambique)** **Mozambique – European Union Global Gateway Investment Forum**;

9 Oct 2024 **(Mozambique)** National general election;

### Chronology

6 Nov 2023 **Maputo (Mozambique)** *Club of Mozambique*. Officials reveal that the gas-fired **Temane Thermal Power Plant (CTT)** in **Inhambane** province is 60% complete and on track to begin operations in 2024;

6 Nov 2023 **Maputo (Mozambique)** *360Mozambique*. President **Filipe Nyusi** warns that the **El Nino** weather phenomenon will have a “*significant impact*” on agriculture in Mozambique;

6 Nov 2023 **Maputo (Mozambique)** *Club of Mozambique*. **South Africa**-headquartered **Standard Bank's Purchasing Managers' Index (PMI)** for Mozambique falls to 50.0 index points in October from 50.2 points in September marking a decline in sentiment in the manufacturing sector;

3 Nov 2023 **Maputo (Mozambique)** *Andalou Agency*. Sea, inland waters and fisheries ministry reveals that the country loses up to \$70m a year due to illegal fishing;

<sup>19</sup> Reuters, 11 Oct 2023

<sup>20</sup> Zitamar, 2 Nov 2023

3 Nov 2023 **Maputo (Mozambique)** *360Mozambique*. The **African Regional Certification Commission for the Eradication of Polio (ARCC)** advises Mozambique to urgently address gaps in polio immunity in the country to prevent potential future outbreaks;

3 Nov 2023 **Maputo (Mozambique)** *Club of Mozambique*. **China** bans imports of poultry from Mozambique due to concerns over the ongoing outbreak of bird flu in the country;

1 Nov 2023 **Maputo (Mozambique)** *Club of Mozambique*. **Banco de Moçambique (BoM)** (central bank) governor **Rogério Lucas Zandamela** warns that Mozambique's non-performing credit ratio of 9.1% remains worryingly high;

1 Nov 2023 **Maputo (Mozambique)** *Club of Mozambique*. Unknown assailants kidnap a **Portuguese-Mozambican** national in Maputo;

1 Nov 2023 **Maputo (Mozambique)** *IMF*. The **International Monetary Fund (IMF)** releases a statement following the conclusion of its staff visit to Mozambique between 18 and 31 October. The visit was to conduct an assessment ahead of the third review of Mozambique's **Extended Credit Facility (ECF)** arrangement with the IMF;

31 Oct 2023 **Maputo (Mozambique)** *360Mozambique*. **Banco de Moçambique (BoM)** (central bank) and the **Associação Mocambicana de Bancos (AMB)** (Mozambican banking association) opt to leave the prime interest rate unchanged at 24.1% for a fifth consecutive month;

31 Oct 2023 **Maputo (Mozambique)** *360Mozambique*. Council of ministers announce that Mozambique's economy has grown by 4.4% of GDP thus far in 2023;

29 Oct 2023 **New Delhi (India)** *The Hindu Business Line*. **Mozambique's** Mineral resources and energy minister **Carlos Zacarias** meets with his Indian counterpart **Hardeep Singh Puri** to discuss oil and gas developments in Mozambique;

20 Oct 2023 **Maputo (Mozambique)** *Club of Mozambique*. **China** announces that it will limit graphite exports in a move that will potentially boost demand for Mozambican graphite;

20 Oct 2023 **Maputo (Mozambique)** *BBC*. Officials confirm that Mozambican chicken farmers have had to kill over 45,000 birds in **Inhambane** province to contain the spread of bird flu;

19 Oct 2023 **Maputo (Mozambique)** *Club of Mozambique*. The **World Bank** announces that it will provide \$30m to Mozambique to repair water reservoirs in Maputo and **Gaza** provinces;

19 Oct 2023 **Beijing (China)** *FMPRC*. **Mozambique's** prime minister **Adriano Afonso Maleiane** meets with Chinese President **Xi Jinping** on the sidelines of the **Belt and Road Forum for International Cooperation (BRF)**;

10 Oct 2023 **Maputo (Mozambique)** *Africa News*. **United States**-headquartered **Human Rights Watch (HRW)** accuses the **Rwandan** government of targeting dissidents in Mozambique;

9 Oct 2023 **Mocimboa da Praia (Mozambique)** *AIM*. President **Filipe Nyusi** inaugurates the rehabilitated port of **Mocimboa da Praia (Cabo Delgado Province)**.

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