

AFRICA RISK CONSULTING

Mozambique Monthly Briefing July 2022

Mozambique Summary 13 July 2022

Despite an improving security situation in recent months, sporadic attacks continue in Mozambique's Cabo Delgado province, affecting residents and investors. The United Nations adds Mozambique to its annual Children and Armed Conflict report, based on reported events and data collected from conflict areas in 2021. Australia-headquartered mining firm Triton Minerals confirms reports of an 8 June attack on its graphite mining project in Ancuabe district, which resulted in the beheading of two staff at its site. Italy-based oil major Eni announces that its Coral South Project has achieved the introduction of hydrocarbons to its Coral Sul Floating Liquefied Natural Gas (LNG) plant and that it aims to achieve its first LNG cargo in the second half of 2022. South Africa's rail agency, Transnet Freight Rail, and Mozambique's state-owned ports and rail agency, Portos e Caminhos de Ferro de Moçambique, sign an agreement for a train run-through model for the export of chrome and ferrochrome from South Africa to Mozambique's Port of Maputo. Solar energy firm Solarcentury Africa, a subsidiary of United Kingdom-headquartered BB Energy, enters into an agreement with Renewable Energy Services Africa and Checunda Investimentos for the construction of a 100 MWp solar PV plant in the town of Chimuara (Zambezia Province). The World Bank in its latest Economic Update on Mozambique highlights agriculture as a key growth vector for the country. National statistics authority Instituto Nacional de Estatística reports that year-on-year inflation increased by 9.3% in May, the highest level since September 2017 when it reached 10.8%. Covid-19 cases are on the increase, despite case numbers remaining low.

Sporadic attacks continue to hit Cabo Delgado ...

Despite an improving security situation in recent months, sporadic attacks in **Mozambique's Cabo Delgado Province** continue to plague residents and businesses alike. In a report released on 11 July, the **United Nations (UN)** has added Mozambique to its annual **Children and Armed Conflict** report, based on reported events and data collected from conflict areas in 2021. Mozambique is now included amongst countries including the **Central African Republic**, the **Democratic Republic of the Congo**, **Ethiopia** and **Somalia** as key hotspots in the **African** region. The report describes Mozambique as a "situation of concern", citing the attempts by the Mozambique government and its allies to fight the **Islamist** insurgency that began in 2017 and which has resulted in a largescale humanitarian crisis in the Cabo Delgado region.¹ According to the **UN Children's Fund**, in May over 23,000 people were displaced in Cabo Delgado, with just over half of these being children, while over 784,000 people, overall, remain internally displaced.² UN secretary general **António Guterres** noted, reported, and where possible, verified reports of:

"recruitment and use, killing and maiming, rape and other forms of sexual violence, attacks on schools and hospitals, abduction, and denial of humanitarian access".³

The insurgent attacks have also targeted mining and other projects in the area, severely denting investor confidence. **Australia**-headquartered mining firm **Triton Minerals** confirmed on 15 June reports that an 8 June attack on its graphite mining project in the **Ancuabe** district of Cabo Delgado

¹ United Nations General Assembly Security Council, 11 Jul 2022

² Relief Web, 29 Jun 2022

³ United Nations General Assembly Security Council, 11 Jul 2022

province had resulted in the beheading of two security/caretaker staff at its mining site.⁴ The firm was forced to initiate a trading halt from 9-14 June on the back of news of the attack.⁵ Triton Minerals' shares fell on 14 June after it exited the trading halt, ending the day down 12%.⁶ Australian-owned graphite miner **Syrah Resources** temporarily suspended "all personnel and logistics movements" along its primary transport route, which is near to where the 8 June attack took place.⁷ The firm, which agreed a deal for the supply of graphite batteries to **United States (US)**-headquartered automotive and clean energy firm **Tesla** in December,⁸ closed 14 June with its shares also trading 12% lower.⁹

The attack was one of the first reported attacks in the Ancuabe district, raising concern that the group is beginning to focus its attention on sites outside of the core northern Cabo Delgado districts of **Macomia, Mocimboa da Praia** and **Meluco**.¹⁰ Cabo Delgado governor **Valige Tauabo** on 14 June described the situation in Cabo Delgado as being "of great concern", following the attack in Ancuabe as well as reports by **Voice of America News** of the beheadings of four people in **Natupile** village in early June.¹¹ Tauabo said despite the progress made by government and international defence forces "to defend the population and their properties", there is still "panic among the people". Mozambique's national armed forces, the **Forças Armadas de Defesa de Moçambique (FADM)**, have benefited from support from regional partners including **Rwanda**, as well as troops from eight **Southern African Development Community (SADC)** member countries, the **SADC Mission in Mozambique (SAMIM)**, which deployed troops in July 2021.¹² These forces have helped to take back a number of strongholds from the insurgents, repelling them into much smaller areas of the region.¹³ Authorities have increasingly sought to rehome individuals in the areas of Cabo Delgado that have been secured by the joint forces, a move that a **UN High Commission for Refugees** spokesperson called "premature" in March (see *ARC Briefing Mozambique Mar 2022*).

The government is facing pressure from investors to ensure a secure environment. **French** oil major **TotalEnergies**, which declared *force majeure* on its natural gas investment in Mozambique in April 2021, has made the return of displaced people a key condition for resumption of its operations in Cabo Delgado.¹⁴ CEO **Patrick Pouyanne** stated in April this year:

*"We don't want to restart the activity surrounded by refugee camps... I will not send any of my people or contractors to face a difficult situation."*¹⁵

...but investor interest remains

Despite the current security challenge in Cabo Delgado, some investors appear to be taking a longer-term view of the country. Several countries, led by the US and the **United Kingdom**, have pledged to diversify their energy supply chains away from reliance on **Russian** natural gas in view of the latter's ongoing military operations in **Ukraine** (see *ARC Briefing Mozambique Mar 2022*), with Mozambique's nascent **Liquefied Natural Gas (LNG)** industry boosting its attractiveness as an investment destination.

Italy's president **Sergio Mattarella** (2015-present) met with Mozambique's President **Filipe Nyusi** (2015-present) in **Maputo** on 5 July.¹⁶ Italy boasts a notable investment in Mozambique's LNG sector

⁴ Triton Minerals, 14 Jun 2022

⁵ Mining Weekly, 14 Jun 2022

⁶ Club of Mozambique, 15 Jun 2022

⁷ Syrah Resources, 9 Jun 2022

⁸ Bloomberg, 16 Jun 2022

⁹ Club of Mozambique, 15 Jun 2022

¹⁰ SABC News, 18 Jun 2022

¹¹ Voice of America News, 14 Jun 2022

¹² SABC News, 18 Jun 2022

¹³ Bloomberg, 16 Jun 2022

¹⁴ Reuters, 26 Apr 2022

¹⁵ Bloomberg, 16 Jun 2022

¹⁶ The Guardian, 5 Jul 2022

through **Rome**-headquartered oil major **Eni**. On 18 June, the company announced that its **Coral South Project** had achieved the introduction of hydrocarbons to its **Coral Sul Floating Liquefied Natural Gas** plant from the **Coral South** reservoir, which lies offshore Mozambique.¹⁷ Mattarella called the development “an important milestone that testifies to how precious our collaboration is”, noting that the company aims to achieve its first LNG cargo in the second half of 2022.¹⁸

Local investment in gas-related infrastructure has also seen recent developments with **South Africa**-based energy and chemical company **Sasol** completing on 29 June the sale of its stake in the **Republic of Mozambique Pipeline Company (Rompc)**, the 865-km pipeline that carries natural gas between Mozambique and South Africa. The pipeline runs from Sasol’s offshore gas fields **Pande** and **Temane**, in the southern part of Mozambique, to the company’s operations in **Secunda** (South Africa). Sasol announced in May 2021 that the shareholders of state-owned **South African Gas Development Company (iGas)** and Mozambique’s **Companhia Moçambicana de Gasoduto (CMG)** had exercised their pre-emptive rights to increase their shares in the project, acquiring a combined 30% equity interest in the pipeline.¹⁹ This increases the companies’ ownership of the pipeline from 50% to 80%, split equally between the two.²⁰ Sasol sold its shares for R4.1 billion (\$241.8m) subject to some adjustments, with a deferred payment of up to R1 billion (\$59m) to be made if certain agreed milestones are reached by end-June 2024. The firm will retain a 20% stake in the pipeline as well as access to natural gas supply and continue an operational and maintenance role of the pipeline.²¹

South Africa’s rail agency, **Transnet Freight Rail (TFR)**, and Mozambique’s state-owned ports and rail agency, **Portos e Caminhos de Ferro de Moçambique**, signed an agreement on 1 July for a train run-through model for the export of chrome and ferrochrome (primarily used in the production of stainless steel) from the town of **Belfast** in South Africa to Mozambique’s **Port of Maputo**. The model expects to reduce the transit time between the two countries by 12 hours for a return trip. This will enable the present 15 trains a week to be increased to 21 trains a week, for a volume increase of more than 800 000 t/y. TFR CEO **Sizakele Mzimela** hailed the project as an example of “a key driver of intra-trade supporting the growth of our two economies”:

“Rail transport is critical in bolstering economic development and this initiative will enable both railways to support the recovery of the region by connecting Africa to the world.”²²

New solar energy projects are also expected to provide a welcome boost to Mozambique’s economy. Solar energy firm **Solarcentury Africa**, a subsidiary of UK-headquartered **BB Energy**, entered into an agreement with **Renewable Energy Services Africa** and **Checunda Investimentos** on 30 June for the construction of a 100 MWp solar PV plant in the town of **Chimuará (Zambezia Province)**.²³ The electricity generated from the plant will feed into the national grid. The project will be implemented in several phases, with the first phase allowing for a capacity of 30 MWp. Solarcentury is also carrying out a second project in Mozambique, building an 11.25 MWp solar power plant, as well as an 8.5 MW/MWh battery power storage system for Syrah Resources’ **Balama** graphite mine in Cabo Delgado.

Meanwhile, Mozambique’s largest private sector employer, financially troubled sugar company **Tongaat-Hulett**, is reported to have rejected on 21 June a \$222m offer from US-based investor **Lusitania Investment** for the firm’s operations in **Xinavane (Maputo Province)** and **Mafambisse (Sofala Province)**.²⁴ Tongaat-Hulett, with debts of R6.8 billion (\$400.9m), has seen challenges to its plans for recapitalisation through a rights issue.

¹⁷ Offshore Energy, 20 Jun 2022

¹⁸ The Guardian, 5 Jul 2022

¹⁹ Engineering News, 29 Jun 2022

²⁰ Upstream, 1 Jul 2022

²¹ The Paradise, 30 June 2022

²² Engineering News, 1 Jul 2022

²³ Afrik21, 11 Jul 2022

²⁴ Independent Online, 23 Jun 2022

World Bank expects Mozambique's economy to recover from near-term shocks

The **World Bank** released its **Economic Update on Mozambique** on 11 July, focusing on the country's long-term potential and highlighting agriculture as a key growth vector. The World Bank notes that Mozambique's GDP growth of 2.2% in 2021 was supported by agricultural growth and the lifting of lockdown restrictions, which boosted private consumption and the recovery of services.²⁵ The institution expects growth to average 5.7% over the 2022-2024 period, buoyed by recovering demand as well as the start of LNG production from 2022 onwards, an overall recovery in the global markets, and increased FDI into the country. However, it warns of downside risks from the continuing conflict between Russia and Ukraine, as well as the risk of additional **Covid-19** infection waves and the insurgency in Cabo Delgado.

While Mozambique's overall fiscal deficit declined from 5.7% in 2020 to 4.5% in 2021, the World Bank notes that domestic public debt stock rose to 22% of GDP in 2021, up from 16% in 2019, as the government borrowed more on the domestic market without access to external funding.²⁶ However, the country is benefiting from increased funding as international partners such as the **International Monetary Fund** and World Bank have begun to reengage with the government since halting funding following the hidden debts scandal (*see ARC Briefing Mozambique June 2022*). Economy and finance minister **Max Tonela** announced on 8 July that the government had received \$50m in funding from international partners to provide support for the population in light of increased fuel prices, and a further \$85m to "increase the fiscal space for the state to finance the poorest households".²⁷

Increasing transportation costs are largely being driven by the conflict between Russia and Ukraine. Energy regulator **Autoridade Reguladora de Energia** increased fuel prices again in June (*see ARC Briefing Mozambique June 2022*), leading to strike action on 4 July when protests erupted at a bus station in Maputo during rush hour, preventing commuters from travelling. In response, the government has agreed to subsidise some fares.²⁸ However, Mozambique's primary trade union, the **Organização dos Trabalhadores de Moçambique**, has cast doubt on the government's subsidy pledge, dubbing it "just a way of entertaining the public".²⁹ A further strike on 11 July by minibus operators in the city of **Beira**³⁰ indicates that further instances of social unrest are likely as the government struggles to cushion the impact of increased fuel prices. Mozambique also remains vulnerable to strike action in neighbouring South Africa. On 6 July, protests against rising fuel prices in South Africa created a blockade on the **N4** highway that connects the city of **Mbombela** to the Mozambican border, and onwards to the port of Maputo, preventing the travel of trucks transporting goods on the route.³¹

According to the latest data from national statistics authority **Instituto Nacional de Estatística**, **Consumer Price Index (CPI)**, year-on-year inflation (based on the CPIs of the three largest cities, Maputo, Nampula and Beira) increased by 9.3% in May. This is the highest level since September 2017 when it reached 10.8%.³² This was also in contrast to previous years; in May 2020 the average level of prices fell by 0.6%, and by 0.31% in May 2021. The main drivers of the increase in May were bread (15.6%), soap (5.2%), vegetable oil (3.7%), diesel (2.9%), and petrol (2.1%).³³ In June inflation rose again to 10.8%.³⁴

²⁵ World Bank, 11 Jul 2022

²⁶ World Bank, 11 Jul 2022

²⁷ All Africa, 11 Jul 2022

²⁸ Bloomberg, 6 Jul 2022

²⁹ All Africa, 11 Jul 2022

³⁰ All Africa, 11 Jul 2022

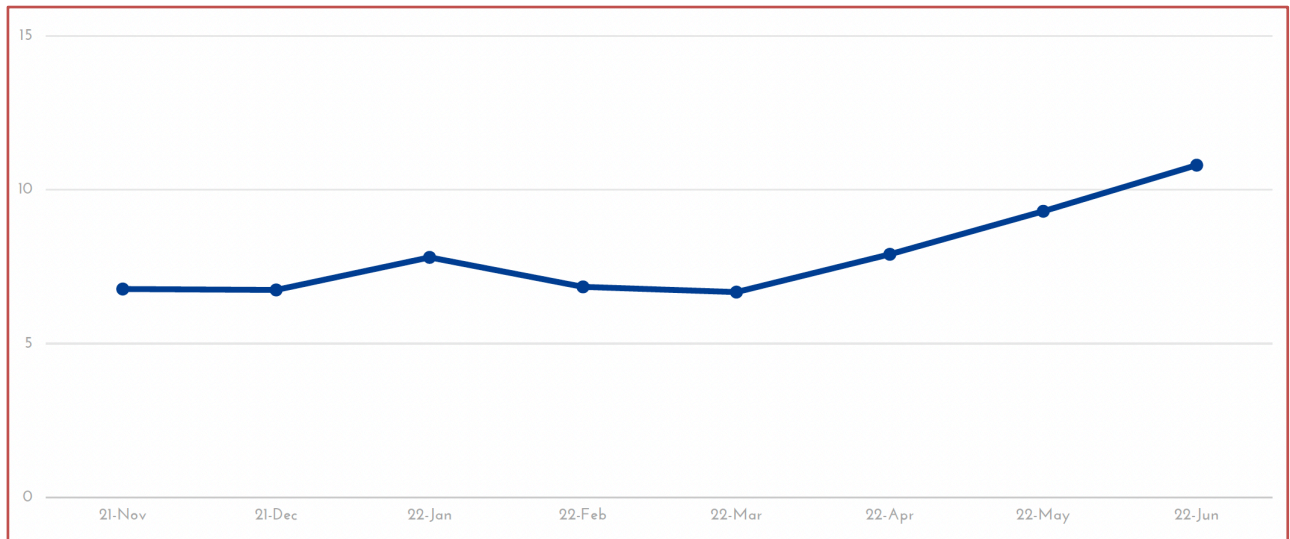
³¹ Bloomberg, 6 Jul 2022

³² National Institute of Statistics, Jun 2022

³³ All Africa, 16 Jun 2022

³⁴ Instituto Nacional de Estatística, accessed 13 Jul 2022

Rate of Inflation, Mozambique: Nov 2021 - Jun 2022



Source: Instituto Nacional de Estatística

Covid-19 cases increase

While Mozambique continues to record low case numbers of Covid-19, cases are on the increase. On 12 July, there were 90 new reported daily cases of Covid-19 in the country, up from 35 daily cases a month earlier.³⁵ The slight rise in cases may reflect the impact of colder weather in the southern hemisphere during the winter period, when infection rates typically rise. As of 12 July, the total number of confirmed cases in the country's population of approximately 31.5 million stood at 228,769, with 2,214 Covid-19-related deaths and 226,133 recoveries from the disease.³⁶

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 98.56 vaccine doses per 100 people had been administered in the country by 26 June.³⁷ According to the **International Red Cross**, over 1 million people in six districts affected by armed conflict in the provinces of Cabo Delgado, **Manica**, and Sofala, had been vaccinated.³⁸

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 February (see *ARC Briefing Mozambique Mar 2022*).³⁹ These 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 1,000 outdoors, without exceeding 50% of the venue's capacity.⁴⁰

³⁵ Worldometers, accessed on 11 May 2022

³⁶ Worldometers, accessed on 11 May 2022

³⁷ Our World in Data, accessed on 12 May 2022

³⁸ International Committee of the Red Cross, 28 Jun 2022

³⁹ US Embassy in Mozambique, accessed 11 May 2022

⁴⁰ US Embassy in Mozambique, 9 Mar 2022

On 20 April, Nyusi announced a transition from a State of Calamity downgrading to a Public Health Emergency, effective immediately. Travelers can enter Mozambique without showing a negative PCR test if they present a valid certificate showing proof of full vaccination against COVID-19.⁴¹

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

11 Jul 2022 **Washington DC (United States) World Bank**. The **World Bank** releases its eighth **Economic Update on Mozambique**, highlighting agriculture as a key long-term growth vector for the country;

11 Jul 2022 **New York (United States) United Nations General Assembly Security Council**. The **United Nations** adds Mozambique to its annual **Children and Armed Conflict** report, describing the country as a “*situation of concern*” owing to the conflict between the government of Mozambique and its allies against the **Islamic State**-linked insurgency which has operated in the region since 2017;

11 Jul 2022 **Maputo (Mozambique) SABC News**. **Mozambique's** health authorities extend the third round of the national polio vaccination campaign by 24 hours, to reach more children under five in **Maputo**, aiming to inoculate 270,000 children in the city;

8 Jul 2022 **Maputo (Mozambique) Club of Mozambique**. Finance minister **Max Tonela** and **International Monetary Fund (IMF) Africa** director **Abebe Selassie** conduct joint press conference, announcing Mozambique has mobilised \$135m from partners to provide subsidies to the public as well as \$85m to finance more disadvantaged families;

6 Jul 2022 **Maputo (Mozambique) LUSA**. An undisclosed source says the finance ministry has delivered the report that detected irregularities in the funds used for the fight against **Covid-19** to the **Central Office for Combating Corruption**;

6 Jul 2022 **Maputo (Mozambique) Upstream**. Prime minister **Adriano Maleiane** appoints **Nazario Joel Juliao de Jesus Bangalane** as chairman of state upstream regulator **INP**, replacing industry veteran **Carlos Zacarias**;

5 Jul 2022 **Maputo (Mozambique) The Guardian**. **Italy's** President **Sergio Mattarella** meets with President **Felipe Nyusi** on an official state visit;

4 Jul 2022 **Maputo (Mozambique) Business Standard**. **Mozambique** and **India** review their multi-faceted bilateral relationship including political exchanges, development partnership projects, defence and security cooperation;

4 Jul 2022 **Maputo (Mozambique) Club of Mozambique**. Finance ministry spokesperson **Alfredo Mutombene** says the **International Monetary Fund (IMF)** will this month disburse the first tranche of the approximately \$400m it has set aside to finance the Mozambican State Budget for 2022, which will support public debt;

4 Jul 2022 **Maputo (Mozambique) Bloomberg**. Strike action erupts as transport employees protest at bus stations in **Maputo** during rush hour, preventing commuters from travelling;

⁴¹ US Embassy in Mozambique, accessed 11 May 2022

30 Jun 2022 **Chimuara (Mozambique)** *Solarcentury Africa*. Solar energy firm **Solarcentury Africa**, a subsidiary of **United Kingdom**-headquartered **BB Energy**, enters into an agreement with **Renewable Energy Services Africa** and **Checunda Investimentos** for the construction of a 100 MWp solar PV plant in the town of **Chimuara**;

29 Jun 2022 **Geneva (Switzerland)** *United Nations Children's Fund*. The **United Nation Children's Fund's Humanitarian Situation Report** for the period 1-31 May notes that over 23,000 people have been displaced in **Cabo Delgado**, with just over half of these being children;

27 Jun 2022 **Cabo Delgado (Mozambique)** *Notimerica*. Armed men storm the **Mihecani community** in **Ancuabe district (Cabo Delgado province)** killing three and displacing dozens of people in the second such attack in two weeks;

27 Jun 2022 **Maputo (Mozambique)** *Independent Online*. Financially troubled sugar company **Tongaat-Hulett** is reported to have rejected a \$222m offer from **United States**-based investor **Lusitania Investment** for the firm's operations in **Xinavane** and **Mafambisse**;

24 Jun 2022 **Maputo (Mozambique)** *Reuters*. The **World Bank** revises growth estimates for Mozambique, predicting average growth to accelerate to 5.7% in the medium term (2022-2024) as demand recovers and the economy benefits from **Liquefied Natural Gas (LNG)** projects due to come online in 2022;

23 Jun 2022 **Maputo (Mozambique)** *Club of Mozambique*. President **Filipe Jacinto Nyusi** enacts three new laws, the revised **Law for the Prevention and Combat of Money Laundering and Financing of Terrorism**; the **Law for the Prevention, Repression and Combat against Terrorism and Related Actions**; and the revised **Electricity Law**;

22 Jun 2022 **Maputo (Mozambique)** *Deutsche Welle*. **Quelimane** mayor **Manuel de Araújo** admits his intention to run for leadership of opposition **RENAMO** ahead of the 2024 presidential elections, urging the party to be more proactive in its preparations;

18 Jun 2022 **Cabo Delgado (Mozambique)** *SABC News*. **ISIS** claims responsibility for an attack on **Australia**-headquartered mining firm **Triton Minerals'** graphite mining site in the **Ancuabe** district, which killed two people;

18 Jun 2022 **(Mozambique)** *Eni*. **Italy**-headquartered **Eni** announces that its **Coral South Project** has achieved the introduction of hydrocarbons to the **Coral Sul Floating Liquefied Natural Gas (LNG)** plant from the **Coral South** reservoir offshore Mozambique and that it aims to achieve its first LNG cargo in the second half of 2022;

16 Jun 2022 **Maputo (Mozambique)** *Carta de Moçambique*. **National Statistics Institute** data shows annual inflation reached 9.31% on 31 May 2022, up from 7.9% in April;

14 Jun 2022 **Cabo Delgado (Mozambique)** *Triton Minerals press release*. **Australia**-headquartered mining firm **Triton Minerals** confirms reports that an 8 June attack on its graphite mining project in the **Ancuabe** district of Cabo Delgado province killed two of its staff;

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.

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