

AFRICA RISK CONSULTING

Mozambique Monthly Briefing July 2020

Mozambique Summary 9 July 2020

President Filipe Nyusi (2015-present) extends the State of Emergency until 29 July as confirmed Covid-19 cases surpass 1,000. Education, business, culture and tourism are allowed to slowly reopen, but with strict protocols. Bank leaders warn of further effects the pandemic will have on Mozambican businesses; the extractive industries have already taken a hard hit. Revenue collection from exports has decreased by 35% compared to the same period last year. The continued fall in exports is likely to depreciate the national currency, the metical. An insurgency attack and ensuing occupation of Mocímboa da Praia (Cabo Delgado Province) leave at least 40 people dead, and the district is now without any government infrastructure. Portugal's Partido Social Democrata (PSD) delegation to the European Parliament calls for urgent European Union (EU) intervention in Cabo Delgado. The Islamic State threatens to "open the fighting front" within South Africa if it intervenes in the conflict. The national peace process is threatened as the spokesperson for main opposition party Renamo accuses the ruling Frelimo party of violating the demobilisation, disarming and reintegration (DDR) component. A dissident Renamo group led by Mariano Nhongo is reportedly behind the attack on a passenger bus that killed five people in Gondola district (Manica Province).

State of Emergency extended for third time

President **Filipe Nyusi** (2015-present) announced on 28 June the extension of the **State of Emergency** until 29 July.¹ The state of emergency, which Nyusi first declared on 30 March to curb the spread of the **Covid-19** pandemic in **Mozambique**, has been in effect for more than three months. Some sectors, such as education, culture, business and tourism, are now allowed to reopen, but with strict preventive measures and protocols defined by health authorities. In his televised speech to the nation, President Nyusi stated that

"We decided to maintain the level three and adjust some measures that have an impact on the country, in a phased manner, to allow certain sectors to resume activities."²

The extension of the state of emergency for the third time is the maximum provided for in the **Constituição da República de Moçambique** (Mozambican constitution),³ and President Nyusi will have no choice but to lift some of the strict measures by the end of July. The easing of restrictions has been expected, but how it will look remains to be seen. Mozambique passed 1,000 confirmed cases of Covid-19 on 6 July,⁴ and currently has 1,040 confirmed cases, of which 958 are due to local transmission and 82 due to imported cases, with eight recorded deaths and 280 recoveries.⁵

¹ Xinhua, 29 Jun 2020

² Xinhua, 29 Jun 2020

³ Lusa, 7 Jul 2020

⁴ Lusa, 6 Jul 2020

⁵ Lusa, 7 Jul 2020

Covid-19 update on Mozambique's neighbouring countries⁶

	Confirmed cases	Deaths	Recovered cases
South Africa	224,665	3,602	106,842
Malawi	1,942	25	369
Zambia	1,895	42	1,348
Eswatini	1,138	14	588
Zimbabwe	885	9	206
Tanzania	509 ⁷	21	183

The reopening of some sectors in Mozambique is vital to slowly restart economic activity and return to normal life, but it comes at a cost. Public works, housing and water resources minister **João Machatine**, speaking after a session of the **Conselho de Ministros** (council of ministers) in **Maputo** on 7 July, announced that the government will spend \$50m on the “*rehabilitation and replacement of water supply and sanitation systems in schools*”.⁸ Schools will reopen in stages from 27 July, with prioritisation given to exam classes.

Three months of strict lockdown measures have hit the Mozambican economy hard, causing a significant decrease in business activity and employment rates (see *ARC Briefing Mozambique June 2020*). The state of emergency continues to have a stark effect on local businesses, and bankers warn that it is only going to get worse. Mozambican bank **Millenium Bim** administrator **Moisés Jorge**, in a **STV Notícias** programme on 2 July, highlighted that many companies will have to close due to Covid-19.⁹ Along with the **Moza Banco** chairman **João Figueiredo** and **Absa Bank Moçambique** CEO **Rui Barros**, Jorge warned that the worst effects of Covid-19 are yet to come.¹⁰

Mozambique see a drop in extractive industry investments...

South Africa-based petrochemicals producer **Sasol** is reportedly selling its 50% stake in the **Republic of Mozambique Pipeline Company (ROMPCO)**, a joint venture that is operating the 865-km pipeline running from Mozambique into South Africa.¹¹ The company, which is the world's leading motor fuel from coal producer, is struggling from the impact of Covid-19 developments, and is now trying to shed assets to pay off debt. According to sources close to the company, Sasol is also planning to sell its 49% stake in the **Maputo Province** power plant **Central Termica de Ressano Garcia (CTRG)**, which produces almost a quarter of the country's energy.¹²

Also hit by the Covid-19 pandemic, **United Kingdom**-based **Gemfields** subsidiary **Montepuez Ruby Mining (MRM)** has had to halt all but vital operations at its mine in **Cabo Delgado Province**, and has been forced to stop production.¹³ MRM generated approximately \$584m in revenue between 2013 and 2019, and the company expects that the supply chain restrictions and fear of Covid-19 outbreak among staff that have halted production, will have adverse effects on its financial performance.¹⁴

⁶ John Hopkins Covid-19 Dashboard, 9 Jul 2020

⁷ The Tanzanian government has not published any nationwide figures since 8 May, News 24, 8 Jul 2020

⁸ Lusa, 7 Jul 2020

⁹ Club of Mozambique, 6 Jul 2020

¹⁰ Club of Mozambique, 6 Jul 2020

¹¹ Reuters, 26 Jun 2020

¹² Reuters, 26 Jun 2020

¹³ The Citizen, 25 Jun 2020

¹⁴ The Citizen, 25 Jun 2020

Although the decline in investments and decrease in production in the extractive industries due to Covid-19 is expected, the current rate at which this is happening in Mozambique is worrying. Foreign direct investment (FDI) in the extractive industries accounted for 55.8% of the total in 2019 and 77.3% of the total in 2018 (see *ARC Briefing Mozambique April 2020*). Covid-19 will have a negative impact on this year's growth in GDP.

Fiscal policy, customs and international trade president of the **Confederação das Associações Económicas (CTA)** (confederation of economic associations), **Kekobad Patel**, in an interview on 23 June, stated that the export business has seen a 35% drop in revenue collection over the last two months, compared to the same period last year.¹⁵ Mozambique's main exports are aluminium and coal, representing 23.2% and 26.7% of total exports in 2019 (see *ARC Briefing Mozambique April 2020*). Patel warns that the fall in exports due to Covid-19 uncertainty will result in further depreciation of the national currency, the metical, against other currencies.¹⁶

... as violence in the north continues

Mocímboa da Praia (Cabo Delgado province) mayor **Carlos Momba** stated in an interview on STV on 7 July that there is no government infrastructure in operation in the district following the reoccupation by rebel forces of the town on 27 June.¹⁷ The attack and ensuing three-day occupation of the town, claimed by the **Islamic State** jihadist group, left at least 40 people dead, with estimates of the civilian death toll being closer to 100.¹⁸ The **Forças de Defesa e Segurança (FDS)** (defence and security forces) regained control of the town on 1 July, but thousands have fled their homes in the region.¹⁹

There has been an increase in the exodus of people from their homes in the districts of **Macomia** and **Mocímboa da Praia** following further attacks on the local villages of **Ilala**, **Simbolongo** and **Macomia** town. The FDS reportedly exchanged fire with the insurgency groups on 2 June in **Mocímboa** town.²⁰ The main exodus is heading to **Mueda** district, the location of most of the military barracks, which is seen as the safest place in northern Cabo Delgado province.²¹

Outside intervention in the conflict may be imminent. **Paulo Rangel**, leader of **Portugal's Partido Social Democrata (PSD)** delegation to the **European Parliament**, stated on 6 July the need for "urgent intervention" by the **European Union (EU)** in the Cabo Delgado conflict.²² However, the Islamic State has warned against outside interference, reportedly threatening South Africa in its latest newsletter, **Al-Naba**, that it will "open the fighting front" within South Africa's borders if it becomes involved in the growing conflict in Cabo Delgado.²³

The violent insurgencies in northern Mozambique are largely claimed by **Ahlu Sunnah Wal Jammah (ASWJ)**, known locally as **al-Shabaab**, which has ties to the Islamic State. However, the source of the violent insurgencies has yet to be determined, and several analysts link the violence to unrecognised local grievances in the region (see *ARC Briefing Mozambique June 2020*).

There is also disagreement on whether outside intervention is the right solution. Although ARC sources say Mozambican government forces are unlikely to be able to handle the threat on their own,²⁴ there is also fear that upscaling of militarisation will lead to a full-blown civil war (see *ARC*

¹⁵ Carta de Moçambique, 26 Jun 2020

¹⁶ Carta de Moçambique, 26 Jun 2020

¹⁷ Lusa, 7 Jul 2020

¹⁸ Carta de Moçambique, 7 Jul 2020

¹⁹ Lusa, 7 Jul 2020

²⁰ Carta de Moçambique, 7 Jul 2020

²¹ Carta de Moçambique, 7 Jul 2020

²² Lusa, 7 Jul 2020

²³ News 24, 7 Jul 2020

²⁴ ARC source, diplomatic Maputo

Briefing Mozambique June 2020). The Mozambican government will have to decide how to handle the violent conflict to avoid further loss to civilian lives.

... and government faces accusations of violating the national peace process

At the national security level, main opposition **Renamo** party spokesperson **José Manteigas** on 7 June accused the ruling **Frelimo**-led Mozambican government of violating the demobilisation, disarming and reintegration (DDR) component of the peace process by excluding Renamo officers from leading positions in the **Comando-Geral da Polícia** (general police command).²⁵ The peace process was signed between Frelimo party leader President Filipe Nyusi and opposition Renamo leader **Ossufo Momade** on 6 August 2019 (see *ARC Briefing Mozambique June 2020*).

Since 4 June, 592 former Renamo guerrilla fighters have been demobilised and reintegrated into civil society or the **Forças Armadas de Defesa de Moçambique (FADM)** (Mozambique armed defence forces).²⁶ The DDR process is set to demobilise and reintegrate 5,000 members of the armed arm of Renamo.²⁷ Manteigas' accusations came as 160 former members of Renamo declared their new affiliation to Frelimo on 4 July at a public ceremony in **Dombe (Manica Province)**.²⁸

The weakening of the main opposition party may threaten the peace process and the national security situation as a whole. Without a strong opposition, Frelimo is free to run a one-party government without having to accommodate challenging parties. Manteigas claims that the efforts to change former Renamo affiliates to support Frelimo are killing "*political pluralism*":

*"It is strange to observe such events, when the priority should be peace and national reconciliation."*²⁹

Without a strong political front, Renamo is seeing dissident groups forming and challenging the peace process on their own. A dissident group led by **Mariano Nhongo** was reportedly behind the attack on a passenger bus in the district of **Gondola** (Manica Province) on 28 June, which killed a child and four adults.³⁰ Nhongo and his group are accused of carrying out several attacks in central Mozambique.

United Nations (UN) Secretary-General personal envoy to Mozambique **Mirko Manzoni** announced on STV on 19 June that attempts to negotiate with Nhongo had failed.³¹ Nhongo is demanding better reintegration terms for his group and the resignation of Renamo leader Momade, who he claims has betrayed the ideals of former Renamo leader **Afonso Dhlakama**, who died in May 2018.³²

Unless both parties prioritise the DDR and the peace process that was signed almost a year ago, discontent within the minority party is likely to grow and threaten peace. The Frelimo-led government will need to follow the DDR protocol to avoid having to deal with two sources of violence amid the economic uncertainties following the Covid-19 pandemic.

²⁵ Lusa, 7 Jul 2020

²⁶ Lusa, 7 Jul 2020

²⁷ Lusa, 7 Jul 2020

²⁸ Lusa, 7 Jul 2020

²⁹ Lusa, 7 Jul 2020

³⁰ Club of Mozambique, 29 Jun 2020

³¹ Club of Mozambique, 22 Jun 2020

³² Club of Mozambique, 22 Jun 2020

Planner

28 Oct 2020 **Maputo (Mozambique)** *The CWC Group Ltd.* **Mozambique Gas Summit** begins;
 2023 **(Mozambique)** Local elections;
 2024 **(Mozambique)** Provincial and presidential elections;

Chronology

7 Jul 2020 **Maputo (Mozambique)** *Lusa.* Main opposition **Renamo** party spokesperson **José Manteigas** accuses ruling party **Frelimo** of violating the demobilisation, disarming and reintegration (DDR) component of the peace process;

6 Jul 2020 **Maputo (Mozambique)** *Lusa.* **Mozambique** passes 1,000 confirmed cases of **Covid-19**;

1 Jul 2020 **Cabo Delgado (Mozambique)** *Upstream.* Government opens new tenders for logistics and brokerage contracts in its major liquefied nature gas project in **Cabo Delgado** as security forces continue to fight against **Islamist** insurgents;

29 Jun 2020 **(Africa)** *Reuters.* Draft **European Union (EU)** list shows only citizens from 10 **African** countries – **Algeria, Egypt, Ethiopia, Mauritius, Morocco, Mozambique, Namibia, Rwanda, Uganda** and **Zambia** – will be allowed in the EU when it reopens external borders on 1 July;

27 Jun 2020 **Mocimboa da Praia (Mozambique)** *Reuters.* Police and a security source say suspected **Islamist** insurgents conducted a “violent” attack in **Mocimboa da Praia** near billion-dollar gas projects managed by **Total** and **Exxon Mobil**;

26 Jun 2020 **Maputo (Mozambique)** *Reuters.* A source says **United Kingdom**-based export credit agency **UK Export Finance** is set to back a \$20 billion liquefied natural gas project in **Mozambique**;

26 Jun 2020 **Maputo (Mozambique)** *Reuters.* Two sources say struggling petrochemicals producer **Sasol** has appointed advisors to sell its stakes in **Republic of Mozambique Pipeline Company**;

25 Jun 2020 **Maputo (Mozambique)** *The Citizen.* **United Kingdom**-based **Gemfields** subsidiary **Montepuez Ruby Mining** says it has halted all but vital operations in **Cabo Delgado Province** since April because of supply chain restrictions and fears of a **coronavirus** outbreak among staff;

24 Jun 2020 **(Africa)** *Disrupt Africa.* **United Kingdom**-based **African Private Equity and Venture Capital Association** releases its inaugural report on **Africa’s** investment landscape, showing that the continent had deals worth \$3.9 billion between 2014 and 2019, that fintech and information technology dominated the start-up scene and that **South Africa’s** venture capital ecosystem accounted for 21% of deals, followed by **Kenya** (18%) and **Nigeria** (14%);

23 Jun 2020 **(Africa)** *Business Day.* **African Continental Free Trade Area** secretary-general **Wamkele Mene** says a free-trade agreement is unlikely to face any further delays even if a second wave of **coronavirus** infections hits the region;

19 Jun 2020 **Maputo (Mozambique)** *Bloomberg.* Government appoints **France**-based **Société Générale SA** as financial adviser to state-owned oil company **Empresa Nacional de Hidrocarbonetos**, which is seeking funding for its stake in a liquefied natural gas project led by **Total SA**;

19 Jun 2020 **(Africa)** *Bloomberg.* **World Bank** says the world's poorest countries could save over \$12 billion owed to sovereign and other creditors this year through their participation in a

debt-relief programme, with **Angola** alone potentially saving some \$3.4 billion;

18 Jun 2020 **(Africa)** *Business Day*. **African Union** chair and **South African** president **Cyril Ramaphosa** launches a **covid-19** medical supplies online portal, saying it will help **African** states address shortages and security of supply, ensure price competitiveness and transparency in procurement, reduce logistical delays and simplify payment processes;

16 Jun 2020 **(Africa)** *EMPEA*. **United States**-based **International Finance Corporation** agrees to invest up to \$128.5m in **African** businesses, including a \$100m senior loan to **Nigeria**-based **Zenith Bank**, a \$11m senior loan to **Tunisia**-based date processor **VACPA**, a \$7.5m investment in **Mozambique**-based agribusiness **Westfalia Fruto Mozambique** and a \$10m investment in **Egypt**-based electricity meter manufacturer **Globaltronics**;

11 Jun 2020 **(Africa)** *Reuters*. **World Health Organization Africa** chief **Matshidiso Moeti** says “until such time as we have access to an effective vaccine, I’m afraid we’ll probably have to live with a steady increase in the region”;

10 Jun 2020 **(Africa)** *Euler Hermes*. **France**-based insurance company **Euler Hermes’ Social Risk Index** assesses that **covid-19** is likely to intensify the already high risk of unrest in 17 **African** countries, and that public protests are more likely across the continent from the second half of 2020 to 2021;

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Getting in touch

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

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