

AFRICA RISK CONSULTING

Mozambique Monthly Briefing November 2021

Mozambique Summary 16 November 2021

President Filipe Nyusi (2019-present) dismisses Jamie Neto as defence minister and appoints former Forças Armadas de Defesa de Moçambique (FADM) (Mozambican armed defence forces) commander Christóvão Arthur Chume in his place. Nyusi also dismisses Amade Miquidade as interior minister and Adelaide Amurane as minister in the President's Office. A South African court rules that Mozambique's former finance minister, Manuel Chang, is to be extradited to the United States (US), overturning the ruling by South Africa's justice minister that Chang be sent to Mozambique. The first floating liquefied natural gas facility to be operated on the African continent, Coral-Sul FLNG, operated by Italy-based Eni, is ready to sail to the Rovuma basin in Mozambique's Area 4, where it is estimated to have a production capacity of 3.4m tons per annum. Prime minister Carlos Agostinho do Rosário addresses the 26th United Nations Climate Change Conference of the Parties (COP26) in Glasgow (United Kingdom), stating that Mozambique will increase its coal and gas production until developed countries provide alternative funding. Mozambique's active Covid-19 cases are at their lowest since May 2020.

Nyusi dismisses defence minister...

President **Filipe Nyusi** (2019-present) announced on 10 November that he had dismissed **Jamie Neto** as defence minister, without giving reasons for his dismissal.¹ Nyusi has appointed former **Forças Armadas de Defesa de Moçambique (FADM)** (Mozambican armed defence forces) commander **Christóvão Arthur Chume** to replace Neto.² Speaking at a training course closure for FADM sergeants in **Boane** district (**Maputo** province) on 10 November, Nyusi said a process of "restructuring" the **Forças de Defesa e Segurança (FDS)** (defence and security forces) is underway, aiming at strengthening the "core" of the forces.³ Nyusi said the restructuring of the FDS was a response to the challenges facing **Mozambique**, with a focus on terrorism.⁴

Neto's dismissal follows two cabinet changes by Nyusi on 9 November, again without giving reasons. **Arsénia Felicidade Félix Massingue** replaces **Amade Miquidade** as interior minister, while **Constantino Alberto Bacela** takes over from **Adelaide Amurane** as minister in the President's Office.⁵ Massingue, formerly national director of migration, becomes the first woman to occupy the position of interior minister.⁶ Bacela is known locally as a successful businessperson.⁷

Although Nyusi's reasons for dismissing Neto, Miquidade and Amurane are still unknown, local analysts speculate that Nyusi is preparing for the ruling **Frente de Libertação de Moçambique (Frelimo)** party congress scheduled for September 2022, where his successor as presidential candidate for the 2024 presidential elections will be chosen.⁸

¹ Lusa, 10 Nov 2021

² Sala da Paz, 11 Nov 2021

³ Lusa, 10 Nov 2021

⁴ TVM, 10 Nov 2021

⁵ Sala da Paz, 11 Nov 2021

⁶ Sala da Paz, 11 Nov 2021

⁷ A Verdade, 12 Nov 2021

⁸ Africa Intelligence, 15 Nov 2021

... as joint forces make advances in Cabo Delgado...

Speaking at an **Institute for Security Studies (ISS)** webinar in **Pretoria (South Africa)** on 8 November, **Rwanda's** ambassador to Mozambique, **Claude Nikobizanzwe**, stated that members of the Rwandan military force in **Cabo Delgado** province, comprising members of the **Rwanda National Defence Force (RDF)** and the **Rwanda National Police (RNP)**, have killed at least 100 terrorists and rescued more than 350 civilians.⁹ At the same webinar, which addressed the intervention of foreign forces in Cabo Delgado, the spokesman for the joint **Southern African Development Community (SADC) Mission in Mozambique (SAMIM)**, **Mpho Molomo**, warned that terrorism in Cabo Delgado can spread throughout the southern region if it is not "*contained and dealt with*".¹⁰

FADM and the joint forces in Cabo Delgado are making further advances against the insurgent group **Al Sunna wa Jama'a**, known locally as **al-Shabaab**, in the region. Three insurgents handed themselves over to authorities in **Macomia** district on 2 November due to hunger and lack of conditions for survival. The surrendering al-Shabaab members claimed ignorance of the financier of the violent insurgency and the "*real motivations of the war*".¹¹ In an operation launched on 24 October, SAMIM recaptured three insurgent bases north of the **River Muera** and **Lake Nguri** in Macomia district.¹² According to the **United States (US)**-based **Armed Conflict Location & Event Data Group (ACLED)**, which tracks the conflict weekly, approximately 3,460 people have lost their lives and 817,000 people have been displaced in the conflict since the attacks escalated in October 2017.¹³

... and \$2-billion "hidden debt" scandal evolves

Judge **Margaret Victor** of the **Johannesburg High Court (Gauteng, South Africa)** ruled on 10 November that Mozambique's former finance minister, **Manuel Chang**, should be extradited to the US, overturning a ruling by South Africa's justice minister, **Ronald Lamola**, in August that Chang be sent to Mozambique.¹⁴ Judge Victor ruled that Lamola's decision was inconsistent with South Africa's Constitution and "*fell short of the threshold of rationality*".

Mozambique and the US governments have both requested Chang to be extradited to their respective countries over his alleged role in the \$2 billion debt scandal known as the "*hidden debt scandal*" (see *ARC Briefing Mozambique September 2021*). Chang has been detained in South Africa since 2018 and denies any wrongdoing.¹⁵ The attorney-general's office in **Maputo** claims that Mozambique will appeal the decision to extradite Chang to the US.¹⁶

In further developments in the "*hidden debt scandal*", **Switzerland**-based **Credit Suisse** pleaded guilty in a US court on 19 October over its role in the tuna bonds (hidden debt) scandal, agreeing to pay \$475m and cancel \$200m debt owed by Mozambique.¹⁷ According to a study by Mozambican non-profit organisation **Centro de Integridade Publica (CIP)** (centre for public integrity) and **Norway**-based research institute **Chr. Michelsen Institute (CMI)**, the \$2 billion scandal cost Mozambique's economy \$11 billion between 2016 and 2019 and pushed about 2 million people into poverty.¹⁸ Mozambican independent watchdog **Fórum de Monitoria do Orçamento (FMO)** (budget monitoring forum) calls on Credit Suisse to fully cancel the \$2 billion debt, which is ten times more than it has pledged to write off.¹⁹

⁹ ISS, 8 Nov 2021

¹⁰ ISS, 8 Nov 2021

¹¹ Lusa, 9 Nov 2021

¹² SADC, 10 Nov 2021

¹³ ACLED, 10 Nov 2021

¹⁴ Reuters, 10 Nov 2021

¹⁵ Reuters, 10 Nov 2021

¹⁶ Reuters, 11 Nov 2021

¹⁷ Financial Times, 19 Oct 2021

¹⁸ Financial Times, 25 Oct 2021

¹⁹ Reuters, 22 Oct 2021

COP26: Mozambique to continue gas, diamond and graphite extraction

Mozambique will continue with fossil fuel and mining activities in the near future despite plans to move towards more renewable energy. Speaking at the **United Nations (UN) Climate Change Conference of the Parties (COP26)** in **Glasgow (United Kingdom)**, prime minister **Carlos Agostinho do Rosário** said on 2 November that Mozambique would increase its coal and gas production until developed countries provide alternative funding.²⁰ Referring to the failure of “developing” countries to provide \$100 billion per year in climate funding to developing countries by 2020, as agreed in the 2009 **Copenhagen COP15** agreement, Rosário said Mozambique would not make the transition to clean energy to the detriment of its development process:

*"[W]e do not have financing and technologies to massify energy, wind, water and solar power (...) We want to use our energy resources in a less polluting way. So they [the developed countries] should give us more money to change or mitigate these resources."*²¹

Mozambique is forging ahead with production of liquefied natural gas (LNG) in the **Rovuma Basin** offshore conflict-plagued Cabo Delgado. President Nyusi and his **South Korean** counterpart, **H. E. Moon Jae-In** (2017-present), attended the naming and launch ceremony on 15 November of the **Coral-Sul** floating liquefied natural gas facility (**FLNG**), the first FLNG to be operated on the **African** continent. The FLNG facility is part of the **Coral South Project** in **Area 4**, operated by joint venture **Mozambique Rovuma Venture S.p.A (MRV)**, owned by **Italy**-based oil company **Eni**, **US**-based **ExxonMobil** and **China**-based **CNPC**. MRV holds 70% ownership in Area 4, while **Portugal**-based **Galp**, **South Korea**-based **KOGAS** and Mozambique state-owned **Empresa Nacional de Hidrocarbonetos (ENH)** each hold 10%.²² The FLNG has a production capacity of 3.4m tons per annum (tpa). The Coral-Sul FLNG facility will sail from the **Samsung Heavy Industries** shipyard in **Geoje** (South Korea) to its mooring at the Rovuma basin operating site.

In further news for Mozambique’s extractive industry, **Australia**-based mining company **Battery Minerals** announced on 10 November that it has received a mining licence for the **Balama Central** graphite project in Cabo Delgado, which aims to produce 50,000tpa of graphite concentrate.²³ The Balama project is the world’s largest integrated natural graphite mining and processing operation. Alongside this development, **Australia**-based graphite developer **Triton Minerals** entered a bidding agreement on 8 November to supply **China**-based **Yichang Xincheng Graphite (YXGC)**, one of the world’s largest producers of expandable graphite, with 10,000tpa of graphite concentrate from its **Ancuabe** project.²⁴

The Mozambican government has also made progress in meeting internationally required conditions to export diamonds. Mozambican news agency **O País** reported on 12 November that Mozambique has been admitted to the **Kimberley Process**,²⁵ set up to prevent the sale of “blood diamonds”, which will allow it to trade diamonds internationally.²⁶ Admission to the Kimberley Process will allow Mozambique to activate 40 prospecting licences and process 78 applications for licences in the provinces of **Gaza**, **Manica**, **Tete** and **Niassa**.²⁷

Business activities hit four-month high amid declining Covid-19 cases

Standard Bank Mozambique’s latest **Purchasing Managers Index (PMI)**, published on 3 November, has noted a four-month high in increasing orders among private sector companies operating in Mozambique.²⁸ Business expectations for 2022 remained robust in October, “with around

²⁰ O País, 2 Nov 2021

²¹ O País, 2 Nov 2021

²² Eni, 15 Nov 2021

²³ AIM, 11 Nov 2021

²⁴ Club of Mozambique, 9 Nov 2021

²⁵ O País, 12 Nov 2021

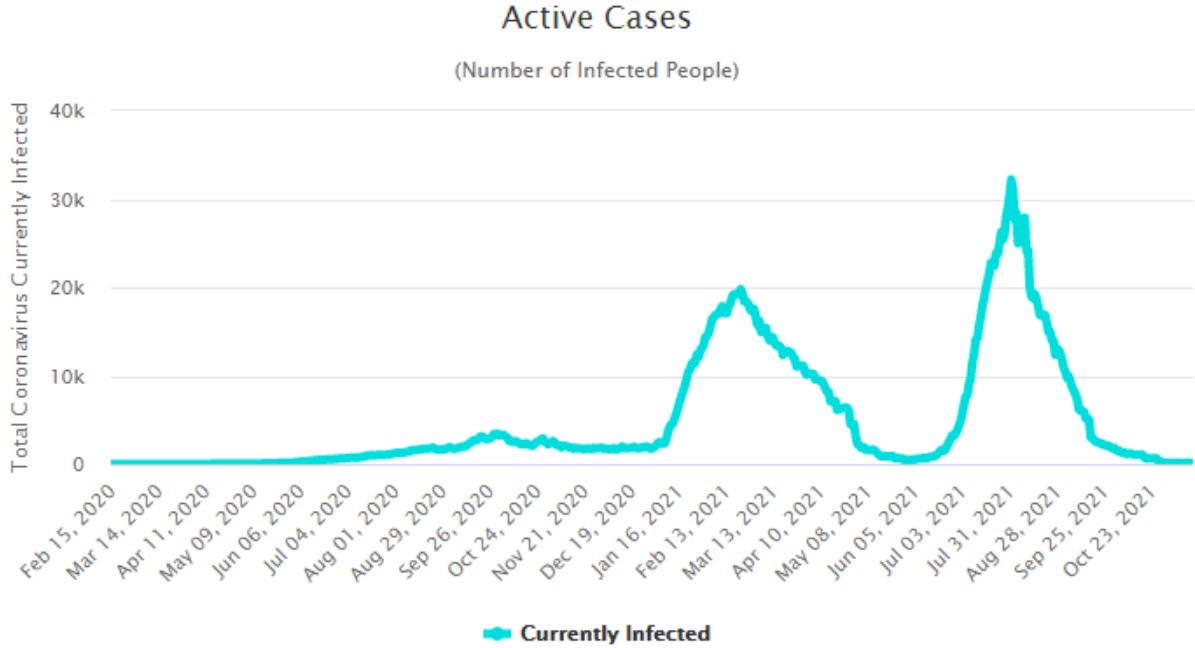
²⁶ Lusa, 11 Nov 2021

²⁷ Lusa, 11 Nov 2021

²⁸ Standard Bank Mozambique, 3 Nov 2021

65% of the survey panel expecting output levels to improve”.²⁹ The increased optimism and business activity can be attributed to several recent developments, including advances against insurgent groups, resumption of extractive industries investment, and decline in **Covid-19** infection rates.

Active cases of Covid-19 reached their lowest level on 15 November since their peak in May 2020. The health ministry recorded only five new cases of Covid-19 on 15 November, bringing the number of active cases to 93.³⁰ As of 15 November, Mozambique had recorded a total of 151,432 cases of Covid-19 in its population of approximately 31.5 million, with 1,936 Covid-19-related deaths and 149,403 recoveries.³¹



Source: Worldometer Coronavirus, accessed 16 November 2021

Mozambique’s Covid-19 vaccination drive is progressing. The **United Kingdom (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 Mozambique’s health authorities had administered 7.46 million doses of Covid-19 vaccines by 14 November, with 2.6 million people (8.3% of the population) fully vaccinated.³² This is a significant increase from the 5.7% of the population vaccinated as of 8 October (see *ARC Mozambique Briefing October 2021*).

As of 25 October, Covid-19-related restrictions include curfew in Maputo, provincial capitals, municipalities and towns from midnight to 4am, the closure of popular beaches, and bars remain closed.³³ If travelling to Mozambique, all travellers need proof of a negative PCR test. There is no mandatory quarantine.³⁴

²⁹ Standard Bank Mozambique, 3 Nov 2021
³⁰ Worldometer Coronavirus, accessed 16 Nov 2021
³¹ Worldometer Coronavirus, 16 Nov 2021
³² Our World in Data, accessed 16 Nov 2021
³³ US Embassy in Mozambique, 16 Nov 2021
³⁴ US Embassy in Mozambique, 16 Nov 2021

Planner

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

Chronology

12 Nov 2021 **Maputo (Mozambique)** *Energy Voice*. Local NGO **Centro de Integridade Publica** accuses **Italy**-based energy major **Eni** of evading taxes and local content responsibilities through its use of foreign contractors at the **Coral Sul** floating LNG project;

11 Nov 2021 **Maputo (Mozambique)** *Reuters*. Attorney-general's office says Mozambique will appeal the decision of a **South African** court to extradite its former finance minister, **Manuel Chang**, to the **United States** rather than to his home country;

11 Nov 2021 **Maputo (Mozambique)** *The East African*. Government launches a new special force, a group of elite soldiers and police, to combat insurgents in **Cabo Delgado**;

10 Nov 2021 **Maputo (Mozambique)** *Carta de Moçambique*. President **Filipe Nyusi** sacks defence minister **Jaime Neto** without giving a reason and without announcing a replacement;

10 Nov 2021 **Johannesburg (South Africa)** *Mail&Guardian*. **South African** court rules **Mozambique's** former finance minister, **Manuel Chang**, currently in detention in South Africa, will be extradited to the **United States** to face trial over a \$2 billion hidden-debt scandal;

9 Nov 2021 **Maputo (Mozambique)** *S&P Global*. **France**-based energy major **TotalEnergies** says the security situation in Mozambique is "improving" as it weighs a restart of construction at its two-train Mozambique LNG project;

28 Oct 2021 **Maputo (Mozambique)** *Nasdaq*. **Italy**-based energy major **Saipem** says it expects the LNG project in Mozambique to restart around mid-2022 after it was put on hold this year for safety reasons;

28 Oct 2021 **Johannesburg (South Africa)** *Times Live*. President **Cyril Ramaphosa** extends deployment of South African soldiers in **Mozambique's Cabo Delgado** province by another three months, at a cost of almost ZAR 1 billion (\$65m);

26 Oct 2021 **Maputo (Mozambique)** *Bloomberg*. International shipbuilding group **Privinvest** says President **Filipe Nyusi** was served on 19 October with the company's litigation claims in the **High Court of London** over his alleged involvement in the hidden debt scandal;

25 Oct 2021 **Beijing (China)** *Bloomberg*. Sub-ministry-level executive agency **China International Development Cooperation Agency** vice chairman **Zhou Liujun** says it is false to claim that **China's** lending practices have pushed **African** nations into debt traps, blaming a host of economic factors instead and criticising media reports on the topic.

21 Oct 2021 **Maputo (Mozambique)** *Wall Street Journal*. Sources familiar with the matter say **United States**-based oil major **ExxonMobil's** new board is concerned about the \$30 billion **Rovuma** LNG project in Mozambique, and will discuss it during a board meeting at the end of October over ExxonMobil's five-year spending plan;

19 Oct 2021 **Maputo (Mozambique)** *Financial Times*. **Switzerland**-based **Credit Suisse** pleads guilty and agrees to pay \$475m and \$200m of debt owed by Mozambique in a series of coordinated settlements with four regulators in three countries over its role in the long-running tuna bonds scandal;

18 Oct 2021 **Maputo (Mozambique)** *Bloomberg*. Sources familiar with the matter say **Credit Suisse** is nearing an agreement with the **United States** government that would resolve a criminal probe regarding its role in the \$2 billion **Mozambique** tuna bond scandal;

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