

AFRICA RISK CONSULTING

Mozambique Monthly Briefing October 2022

Mozambique Summary 12 October 2022

Conflict between the Mozambican government and its allies against the Islamic State-sponsored insurgency continues to drive a large-scale humanitarian crisis in the northern region of the country worsened by an ongoing funding deficit for humanitarian organisations. South Africa-headquartered Sasol announces plans to commence drilling for its first exploration wells in Mozambique's onshore PT5-C field and offshore A5-A area during the first quarter of 2023, while government officials are invited to participate in the opening of the United States (US)-led Minerals Security Partnership in New York (US). Australia-headquartered Syrah Resources' graphite mine in Balama faces disruption owing to illegal industrial action by some of its workers. The economy and finance ministry outlines some of the key political and economic commitments the government has made in exchange for funding under the Economic and Financial Program agreed with the International Monetary Fund (IMF). The IMF forecasts economic growth of 2.9% for Mozambique in 2022, projected to grow to 3.8% in 2023, supported by the agriculture, mineral-energy and services sectors. The Banco de Moçambique (central bank) increases its benchmark interest rate by 2% from 15.25% to 17.25% against a backdrop of volatility in energy and food prices on the global markets. President Filipe Nyusi (2015-present) is re-elected as the leader of the ruling Frelimo party at the party's 12th Congress after running unopposed.

Sporadic attacks continue to threaten northern Mozambique residents

Conflict between the **Mozambican** government and its allies against the **Islamic State (IS)**-sponsored insurgency continues to drive a large-scale humanitarian crisis in the northern region of the country, worsened by an ongoing funding deficit for humanitarian organisations. Although security forces have significantly concentrated their efforts to contain the terrorist threat in **Cabo Delgado** province, the **United Nations (UN)** highlighted on 4 October that attacks are becoming more common outside of Cabo Delgado.¹ **Nampula** province reported four attacks in September, impacting at least 47,000 people and displacing 12,000. **UN Refugee Agency** spokesperson **Matthew Saltmarsh** described the situation:

"People displaced during those latest attacks told [United Nations High Commissioner for Refugees] UNHCR that they are scared and hungry. They lack medicine and are living in crowded conditions – with four to five families sharing one house."²

The **Southern African Development Community (SADC) Mission in Mozambique**, comprising eight personnel-contributing countries from the SADC region of **Angola, Botswana, Democratic Republic of the Congo (DRC), Lesotho, Malawi, South Africa, Tanzania and Zambia**, as well as **Rwandan** forces have led the push back against the insurgents.³ Security forces remain optimistic, with **Rwanda Defence Forces** spokesperson **Ronald Rwivanga** describing the latest attacks as "isolated incidences", adding that the insurgency is no longer "really the main stronghold like the way it was in **Mocimboa da Praia**".⁴ However, Rwivanga cautioned on the ability of **Forças Armadas de**

¹ United Nations, 4 Oct 2022

² United Nations, 4 Oct 2022

³ Southern African Development Community, 10 Nov 2021

⁴ Southern African Development Community, 10 Nov 2021

Defesa de Moçambique (Mozambique armed forces) to continue to repel attacks over the longer term:

*"The next phase will be to try and see if the security sector can be reformed to such a point that... they will be poised to deal with security after the departure of the Rwanda security force."*⁵

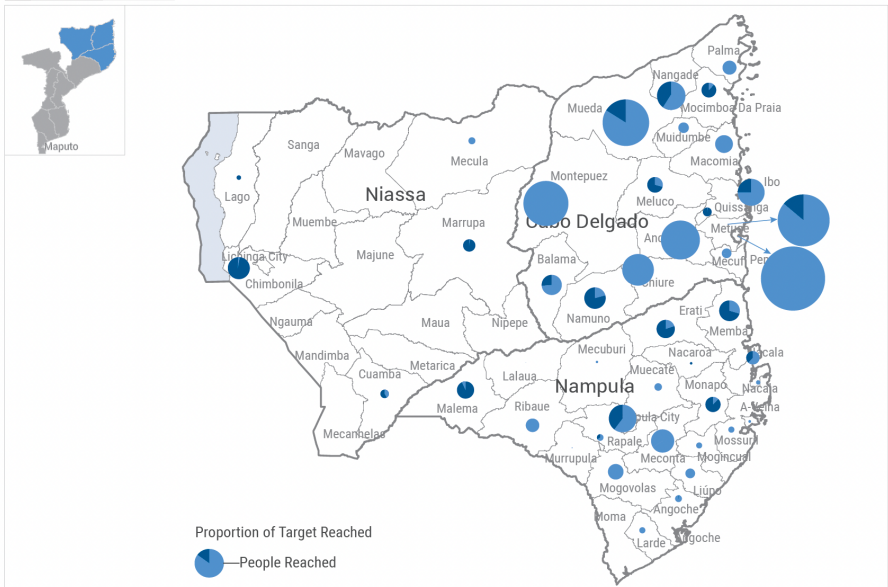
UN special envoy to Mozambique **Mirko Manzonei** noted in a report published on 10 October by **United States (US)**-headquartered magazine **Barron's** that the security forces still lack insight and understanding of the insurgents' operations and how they are able to entice members of the community to join them.⁶ Bishop **Alberto Vera Aréjula**, the local Ordinary of Mozambique's **Nacala Diocese**, warned that inhabitants of Cabo Delgado and surrounding provinces are facing guerrilla warfare that is hard to contain, as a small group can cause great damage:

*"The terrorists are targeting institutional buildings; they have burned and destroyed schools, health centres, police stations, banks, administrative offices; anything that is institutional they burn and destroy."*⁷

Aréjula's comments come as the **Catholic** church is reeling from an attack on a Catholic Mission on 6 September in **Chipene** (Nampula Province), which resulted in the death of an 84-year-old **Comboni** nun, Sister **Maria De Coppi** (see *ARC Briefing Mozambique Sep 2022*).

Humanitarian organisations continue to stress that acute funding shortages are impacting their operations in affected communities in the region. The **UN Office for the Coordination of Humanitarian Affairs** divulged on 4 October that it requires \$388.5m to support 1.2 million people in Cabo Delgado, Nampula and **Niassa** provinces; at the end of August, it had only achieved 53% of this funding target at \$205.1m.⁸

PEOPLE TARGETED AND REACHED BY DISTRICT BETWEEN JANUARY AND AUGUST 2022⁴



Prepared on: 26 September 2022 | Feedback: ochamozambique@un.org | www.unocha.org/Mozambique | www.twitter.com/UNOCHA_Mozambique | www.reliefweb.int | http://fts.unocha.org | 1. Mozambique National Institute of Statistics (http://www.ine.gov.mz/). | 2. Response plan figures for the HRP | 3. All achievements are up to August. 4. Response recorded at district levels. The boundaries and names shown and the designations used on this map do not imply official endorsement or acceptance by the United Nations

Source: United Nations Office for the Coordination of Humanitarian Affairs, 4 October 2022

...as the government awaits investment decisions from gas majors

⁵ Africa News, 10 Oct 2022
⁶ Barron's, 10 Oct 2022
⁷ ACI Africa, 9 Oct 2022
⁸ United Nations Office for the Coordination of Humanitarian Affairs, 4 Oct 2022

The government is ramping up its efforts to assure investors of Mozambique's improving security situation. Many liquefied natural gas (LNG) projects have faced delays as a result of the ongoing insurgency, including the **Coral South** project, under the management of a consortium led by Italy-headquartered **Eni** and the LNG project led by France-headquartered oil and gas firm **TotalEnergies** (see *ARC Briefing Mozambique Sep 2022*). President **Filipe Nyusi** (2015-present) addressed the **Mozambique Gas & Energy Summit in Maputo** on 14 September, encouraging energy investors to resume their operations in Mozambique. Nyusi cited the security forces' repelling of insurgents from the districts of Mocimboa da Praia and **Palma** and improved stability in these areas.⁹ Finance minister **Max Tonela** stated on 16 September that he expects TotalEnergies to make a decision by March 2023 on whether it will resume operations at its LNG plant, stating that "what Total has required is a long-term security assurance".¹⁰ TotalEnergies CEO **Patrick Pouyanne** confirmed that the company expects to decide early next year about lifting a *force majeure* declared on its operations in April 2021.¹¹

Eni meanwhile confirmed on 20 September that it is interested in bidding for more hydrocarbon prospecting rights in Mozambique's **6th Licensing Round for the Concession of Hydrocarbon Exploration and Production Areas**. The government extended the deadline for applications from the original date of 31 August, to 11 November. Results are scheduled to be announced on 30 December.¹²

Mozambique has the potential to be a strong strategic partner for several countries as they seek to secure their energy supply and diversify away from their reliance on **Russia** for energy. The **European Union (EU)** has pledged to cut all reliance on Russian fossil fuels by 2030.¹³ Mozambique, with **Africa's** third-largest gas reserves after **Nigeria** and **Algeria**, has significant potential to benefit from these developments over the longer term (see *ARC Briefing Mozambique March 2022*).

Further delays to the proposed projects cannot be ruled out as some oil majors opt to gauge the sustainability of the improved security situation, especially after the eventual withdrawal of SADC forces. This will weigh on key economic development plans of the Mozambican government which rely on the country's gas reserves to materialise, such as the planned sovereign wealth fund (see below).

Mozambique remains an attractive investment destination ...

Mozambique is still seeing increased investment and interest in its natural resources despite the insurgency as more investors take a long-term view of the security situation and prospects for the sector. South Africa-headquartered petrol and chemical major **Sasol** announced on 5 October plans to commence drilling for its first exploration wells in Mozambique's onshore **PT5-C field** and offshore **A5-A area** during the first quarter of 2023.¹⁴ Sasol currently imports the majority of South Africa's gas supplies through the **Rompco** pipeline, which runs between Mozambique and South Africa.¹⁵ The pipeline is a public-private partnership between South Africa and Mozambique, undertaken by Sasol and valued at R550m (\$30.1m). The project includes the upstream development of Mozambican gas fields of **Temane** and **Pande** in the north-eastern region of the country and the construction of a central processing facility.¹⁶

Government officials were invited on 22 September to participate in the opening of the **Minerals Security Partnership (MSP)** in the US on the sidelines of the **United Nations General Assembly**

⁹ Voice of America News, 14 Sep 2022

¹⁰ Engineering news, 20 Sep 2022

¹¹ Energy Intelligence, 6 Oct 2022

¹² Club of Mozambique, 20 Sep 2022

¹³ BBC, 8 Mar 2022

¹⁴ Reuters, 5 Oct 2022

¹⁵ Reuters, 5 Oct 2022

¹⁶ African Development Bank Group, last update 10 Oct 2022

high-level week.¹⁷ The MSP initiative was launched on 14 June as a US-led multinational partnership comprising 11 member states, focused on securing the supply chains of critical minerals. Members of the initiative include **Australia, Canada, Finland**, France, **Germany, Japan**, the **Republic of Korea, Sweden**, the **United Kingdom**, the US, and the **European Commission**.¹⁸ The initiative aims to bolster investment in developing countries with mining projects governed by stricter environmental, social and governance standards while countering the **Chinese** production of critical minerals that has seen China become entrenched in the global mining sector. Mozambique was one of only five African countries to participate in the meeting, hosted by US secretary of state **Antony Blinken**. The other nations included the DRC, **Namibia**, Tanzania and Zambia.¹⁹

Blinken made special mention of Australia-headquartered **Syrah Resources**, owner of **Balama** graphite mine, stating that Balama minerals would undergo processing at a plant in **Louisiana** (US) for end-use by US electric vehicle companies.²⁰ However, the mine has faced challenges from insecurity in the Cabo Delgado region and temporarily suspended services in June following an attack at a nearby graphite mining project in the **Ancuabe** district of Cabo Delgado (*see ARC Briefing Mozambique Aug 2022*). Syrah Resources was also forced to suspend its operations at the mine following the start of illegal industrial action on 7 September, with some workers calling for increased wages as well as benefits such as health insurance.²¹ Miners allege they are earning less than the mining minimum wage of \$162 per month.²² Syrah Resources resumed operations on 11 October following dialogue with the striking miners. The firm announced that it had approved a “*Company Level Agreement*” for the negotiation process with the strikers as well as receiving support from the government to ensure the industrial action did not disrupt operations at the mine.²³

... as the government divulges some commitments made for IMF support ...

The government’s stronger commitment to improved governance structures and transparency has strengthened Mozambique’s direct funding and financial support prospects for its economic development aims. The **World Bank** and the **International Monetary Fund (IMF)** have begun to re-engage with the government since halting funding to the country in the wake of the hidden debts scandal (*see ARC Briefing Mozambique Jun & Sep 2022*).

The economy and finance ministry released a document on 14 September outlining some of the key political and economic commitments the government has made in exchange for funding under the **Extended Credit Facility (ECF)** agreed with the IMF. Key conditions include capping the public sector wage bill at 10.8% of GDP,²⁴ which stood at 14% in 2021, by “*replacing only one in three civil servants leaving the civil service, except in education, health, justice and agriculture.*”²⁵ Government also committed to reform the **Public Probity Law**, to bolster transparency in the public sector, with improvements to definitions in the law such as conflicts of interest, requiring new public servants to submit declarations of financial interests upon hiring, as well as establishing public procedures for reporting conflicts of interest.²⁶ Government also agreed to eliminate the value added tax (VAT) exemption and zero rates on certain products, with the reform set to come into force on 1 January 2023.²⁷

¹⁷ United States Department of State, 22 Sep 2022

¹⁸ United States Department of State, 22 Sep 2022

¹⁹ United States Department of State, 22 Sep 2022

²⁰ All Africa, 10 Oct 2022

²¹ The Market Herald, 11 Oct 2022

²² All Africa, 10 Oct 2022

²³ The Market Herald, 11 Oct 2022

²⁴ All Africa, 15 Sep 2022

²⁵ Further Africa, 16 Sep 2022

²⁶ All Africa, 10 Oct 2022

²⁷ Club of Mozambique, 19 Sep 2022

The IMF announced on 19 September that its staff had concluded a working visit to Mozambique between 5 and 16 September to conduct the first review under the country's ECF arrangement. The IMF statement noted that the Mozambique government had met all quantitative and structural benchmarks set for the first review and had made good progress on the broader structural agenda:

*"Looking ahead, the macroeconomic environment remains challenging. The authorities aim to continue implementing their ambitious economic reform agenda, including a sovereign wealth fund law, reform of public sector remuneration, and the amendment of the public probity law."*²⁸

The IMF forecasts Mozambique's growth will reach 2.9% for 2022 and 3.8% in 2023, supported by the agriculture, mineral-energy and services sectors. The IMF anticipates average annual inflation to accelerate from 7% to 11% year-on-year in 2022, noting that this reached 12% year-on-year in August.²⁹ The IMF noted that external inflationary pressures such as the ongoing conflict between Russia and Ukraine has impacted fuel and food prices. The **Banco de Moçambique** (central bank) increased its benchmark interest rate by 2% (200 basis points) on 3 October, from 15.25% to 17.25% citing the need to rein in inflation to single digits against a backdrop of volatility in both energy and food prices on the global markets.³⁰

The IMF and government have reached a staff-level agreement to support the IMF executive board's approval of the first review of the programme. The agreement will be presented to the executive board in December and if approved, could see a disbursement of \$63.8m in funding to Mozambique.

... and makes progress on Sovereign Wealth Fund

US-based media house **Bloomberg** reported on 29 September that the Mozambique government is preparing an unpublished version of the **Sovereign Wealth Fund Bill** for presentation to parliament. The fund will receive approximately 40% of the state's total oil and gas revenues for the first 15 years of its lifespan, increasing to 50% thereafter. The bill provides that the finance ministry will be tasked with establishing an advisory board for the fund while the central bank will be responsible for managing the fund's operations. The bill is expected to be submitted to parliament before December.³¹

The sovereign wealth fund forms part of the government's economic reform agenda. It was introduced to manage and adequately invest the expected \$96 billion in revenues that the government expects to gain from the natural gas sector, minimising any possible negative macroeconomic effects of a major inflow of revenue.³²

Nyusi re-elected as leader of the ruling party

President Nyusi was re-elected as leader of the ruling **Frelimo** party at the party's 12th congress held on 25 September.³³ Nyusi ran unopposed and secured a third five-year mandate to lead the party, winning 100% of the votes cast at the congress (1,134 votes). However, Nyusi's term as president of Mozambique is set to end in 2024 in line with the country's constitution, which stipulates a two-term presidential limit. Neither the party nor Nyusi have stated whether they will attempt to field Nyusi for a third term.³⁴ Mozambique is set to hold municipal elections on 11 October 2023, with presidential, national assembly and provincial elections set for 2024³⁵

²⁸ International Monetary Fund, 19 Sep 2022

²⁹ Further Africa, 16 Sep 2022

³⁰ Club of Mozambique, 3 Oct 2022

³¹ Bloomberg, 29 Sep 2022

³² Bloomberg, 23 Sep 2022

³³ Club of Mozambique, 27 Sep 2022

³⁴ All Africa, 26 May 2022

³⁵ Electoral Institute for Sustainable Democracy in Africa, accessed on 12 Oct 2022

Planner

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

Chronology

12 Oct 2022 **Pemba (Mozambique)** *Club of Mozambique*. Two liquefied natural gas (LNG) tankers owned by **United Kingdom**-headquartered **BP** are set to arrive in **Pemba** this week to load the first consignment of gas from the **Coral** floating LNG platform;

11 Oct 2022 **Balama (Mozambique)** *The Market Herald*. **Australian** mining firm **Syrah Resources** resumes operations at its graphite mine in **Balama** following an illegal strike by employees over employment conditions at the mine;

11 Oct 2022 **Maputo (Mozambique)** *Club of Mozambique*. State-owned power utility **Electricidade de Moçambique** launches a \$29.5m **World Bank**-funded project to digitalise the utility's technologies and platforms;

7 Oct 2022 **Maputo (Mozambique)** *CGTN*. Health ministry announces that the first case of the contagious viral monkeypox disease has been diagnosed in an adult male in the country;

5 Oct 2022 **Maputo (Mozambique)** *Club of Mozambique*. The **Banco de Moçambique** (central bank) imposes fines on several local branches of local financial institutions including **Standard Bank**, **First Capital Bank Mozambique**, **Vodafone M-Pesa**, **ABSA Bank**, **Banco Comercial e de Investimentos**, **Access Bank** and **Moza Banco**, citing violations of prudential, foreign exchange and prevention of money laundering and financing of terrorism;

5 Oct 2022 **Johannesburg (South Africa)** *Reuters*. **South Africa**-headquartered petrol and chemical major **Sasol** announces plans to commence drilling for its first exploration wells in **Mozambique's** onshore **PT5-C field** and offshore **A5-A area** during the first quarter of 2023;

3 Oct 2022 **Maputo (Mozambique)** *Club of Mozambique*. **Banco de Moçambique** (central bank) increases its benchmark interest rate by 2% from 15.25% to 17.25%;

25 Sep 2022 **Matola (Mozambique)** *Bloomberg*. President **Filipe Nyusi** is re-elected as leader of the ruling **Frelimo Party** for a third five-year term, after running unopposed, during the party's 12th congress;

19 Sep 2022 **Maputo (Mozambique)** *International Monetary Fund*. **International Monetary Fund** staff and government reach a staff-level agreement on policies to support the Executive Board's approval of the first review of the programme under the **Extended Credit Facility Arrangement** to facilitate the disbursement of about \$63.8m;

22 Sep 2022 **New York (United States)** *United States Department of State*. Government officials are invited to participate in the opening of the **United States**-led **Minerals Security Partnership** initiative opened on the sidelines of the **United Nations General Assembly** high-level week;

22 Sep 2022 **Maputo (Mozambique)** *The East African*. President **Filipe Nyusi** and **Tanzania's** President **Samia Suluhu Hassan** witness the signing of two memoranda of understanding, one on peace and security and the other on defence cooperation against the insurgency in **Cabo Delgado** province;

21 Sep 2022 **Maputo (Mozambique)** *Club of Mozambique*. **Frelimo Party** secretary-general **Roque Silva** confirms that President **Filipe Nyusi** will run for a third term as president of the party at its 12th congress set to begin on 23 September;

14 Sep 2022 **Maputo (Mozambique)** *All Africa*. Economy and finance ministry releases the key **Political and Economic Memorandum** outlining some of the commitments the government has made to the **International Monetary Fund** in exchange for funding;

7 Sep 2022 **Balama (Mozambique)** *The Market Herald*. **Australia**-headquartered mining firm **Syrah Resources** suspends operations at its **Balama** graphite mine following the start of illegal industrial action with some workers calling for increased wages as well as benefits such as health insurance.

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