

## AFRICA RISK CONSULTING

### Monthly briefing - Mozambique

19 November 2014

## 1 Summary

*The Comissao Nacional de Eleicoes (CNE) (national election commission) makes official the Frente de Libertação de Moçambique's (Frelimo) presidential and parliamentary election win, rejecting opposition claims of fraud. Main opposition Resistencia Nacional Moçambicana (Renamo) leader, Afonso Dhlakama, pushes for political concessions from Frelimo. The second opposition party, Movimento Democrático de Moçambique (MDM), faces internal division after final election results fail to meet members' expectations. India-based International Coal Ventures (Pvt) Ltd (ICVL) and Kazakhstan-based Eurasian Natural Resources Corporation (ENRC) announce plans to build coal-fired power plants. India and Mozambique sign a memorandum of understanding (MoU) for cooperation in the oil and gas sector. The Forças Armadas de Defesa de Moçambique (FADM) (armed forces) remains on alert in Sofala Province.*

### 1.1 CNE confirms Nyusi's and Frelimo's election victories

The **Comissao Nacional de Eleicoes (CNE)** (national election commission) on 26 October approved the results of the presidential and parliamentary elections held on 15 October. The final results were not a surprise and fell broadly in line with initial projections that filtered into the public domain after polling stations closed (see *ARC Mozambique October 2014 Briefing*). Despite opposition objections (see below), the final CNE-approved results confirmed president-elect **Filipe Jacinto Nyusi's** victory with 57% of the popular vote, and the victory of the ruling **Frente de Libertação de Moçambique (Frelimo)** party in the parliamentary elections winning 144 of the 250 contested seats.<sup>1</sup> The voter turnout was a low 48.64%. The final CNE-approved results for the presidential and parliamentary votes were:<sup>2</sup>

Political party	Parliamentary seats won	Leader	Percentage of popular vote
Frente de Libertação de Moçambique (Frelimo)	144	Filipe Jacinto Nyusi	57.03%
Resistencia Nacional Moçambicana (Renamo)	89	Afonso Dhlakama	36.61%

<sup>1</sup> Source, political analyst, Maputo

<sup>2</sup> Source, political analyst, Maputo

Movimento Democrático de Moçambique (MDM)	17	Daviz Simango	6.36%
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Both **Resistencia Nacional Moçambicana (Renamo)** and the **Movimento Democrático de Moçambique (MDM)** have protested that the election results were fraudulent,

*“Observer groups diverge in their conclusions. Some say the elections were free, fair and transparent, others say there were irregularities. Other groups recognise that there were irregularities, but they were at such a low level that they did not impact the results.”<sup>3</sup>*

Some independent election monitoring groups have concluded that there were problems in at least 10% of the polling stations.

*“They also claim that 105,000 extra presidential votes were stuffed in ballot boxes, most probably for Nyusi; in 150 polling stations turnout was improbably low, suggesting very late opening or other administrative problems; in more than 750 polling stations there was an excessive number of invalid votes, which were made invalid improperly by polling station staff; in 250 polling stations there was an extra and unreported register book, which was not on the official list.”<sup>4</sup>*

The CNE rejected Renamo’s petition to annul the 15 October elections on the grounds that they failed to observe the legal requirement that the initial challenges must take place at the polling station at the time the alleged offences took place. Renamo submitted the same petition to the **Conselho Constitucional (CC)** (Constitutional Council), but the CNE has advised the constitutional council to reject the appeal. The **Tribunal Supremo** (supreme court) says only 24 complaints about the elections were received from political parties at the district court level. Of those, only one – from Frelimo – was accepted, as all others were rejected for lack of evidence or due to late submission, more than 48 hours after the relevant result was announced.<sup>5</sup>

*“... some say that the opposition should conform with these results as they are much better compared to their performance in the 2009 elections. However, there are those who say if there were irregularities, then the constitutional council should safeguard the laws and look at the violations that may have taken place.”<sup>6</sup>*

Compared to the 2009 presidential and parliamentary elections, Frelimo has had significant decline in popular support. The 2009 election also had a low turnout of just 44.63%, but Frelimo performed much better. The final CNE approved results for the 2009 presidential vote were:<sup>7</sup>

Political party	Parliamentary seats won		Leader	Percentage of popular vote	
	2009	2014		2009	2014
Frelimo	191	144	Armando Emilio	75.01%	57.03%

<sup>3</sup> Source, political analyst, Maputo

<sup>4</sup> Source, political analyst, Maputo

<sup>5</sup> Source, political analyst, Maputo

<sup>6</sup>Source, political science lecturer, Maputo

<sup>7</sup> Source, political analyst, Maputo

			Guebuza		
Renamo	51	89	Afonso Dhlakama	16.41%	36.61%
MDM	8	17	Daviz Simango	8.59%	6.36%

The 2014 CNE results still require final validation from the constitutional council, Mozambique's highest body for constitutional and electoral law.<sup>8</sup>

## 1.2 Renamo pushes for concessions

Renamo leader **Afonso Dhlakama** initially demanded the formation of a caretaker government that included Renamo, to serve until the next elections in 2019. However, his position has since shifted and *"he says he will not take part in a caretaker government, but instead would be happy with the status of leader of the opposition"*.<sup>9</sup> Parliament is to hold an extraordinary parliamentary session in late November to deal with a wide range of pending bills, one of which is for the status of leader of the opposition, which will grant Dhlakama a special parliamentary approved budget, an office, state protocol and other benefits.<sup>10</sup> It is believed that Dhlakama's call for a caretaker government was a strategy to extract concessions from the government. He is still using the threat of delaying the demobilisation of former Renamo fighters to extract concessions in the hope that Nyusi will accommodate some Renamo members in his new government, even if not in ministerial positions.<sup>11</sup>

## 1.3 MDM faces internal division after poor election results

Mozambique's second opposition party, Movimento Democrático de Moçambique, faces internal division after its poor performance in the 15 October presidential and parliamentary elections. MDM leader **Daviz Simango** increased the party's number of parliamentary seats but received less of the popular vote,

*"... MDM members were unhappy with the party's performance in the 15 October elections. This is because they were expecting higher performance in the elections in line with their highly positive performance in the municipal elections in November last year, in which MDM won in three of the country's main cities (**Beira, Nampula and Quelimane**) and in the small town of **Gurue**, and gained significant seats in **Maputo** and **Matola** municipal assemblies. Some groups within MDM blame their leader and mayor Daviz Simango, for this failure and call him arrogant."*<sup>12</sup>

A senior MDM official, one of the 17 incoming MDM members of parliament, said the party must call an extraordinary congress to change its statutes in order to reduce Simango's powers, especially in the issues regarding the nomination of internal party organs. Other groups within MDM say the party must

<sup>8</sup> Source, political analyst, Maputo

<sup>9</sup> Source, political analyst, Maputo

<sup>10</sup> Source, political analyst, Maputo

<sup>11</sup> Source, political analyst, Maputo

<sup>12</sup> Source, political analyst, Maputo

*"... also elect a new leader and one of the front runners is the mayor of Quelimane, **Manuel de Araujo**. However, in a recent media interview Araujo said he had no intention to run and fully backed Simango's leadership of the MDM."*<sup>13</sup>

## 1.4 Power plant investments announced

**India-based International Coal Ventures (Pvt) Ltd (ICVL)** and **Kazakhstan-based Eurasian Natural Resources Corporation (ENRC)** announced plans to build coal-fired power plants in Mozambique in mid-November. Most foreign investors in Mozambique's coal sector follow a strategy of exporting higher-grade metallurgical coal, while using low grade, non-export quality coal to generate electricity through coal-fired power plants.<sup>14</sup>

ICVL CEO **Ajay Mathur** said the coal-fired power plant "*will be developed very soon*" using waste coal from **Rio Tinto's** coal mining asset at the **Benga** coal mine (**Tete Province**), which ICVL purchased this year for \$50m. However, Mathur said construction will only proceed once the company has secured power off-take agreements.<sup>15</sup>

**ENRC Mozambique** announced in November that the company had entered negotiations with the government to build a coal-fired power plant. ENRC secured the rights to a 23,760 hectare coal mining concession in the **Cahora Bassa District** earlier in November. ENRC has already spent \$180m on exploration and announced coal-mine investment plans that total over \$800m. ENRC expects to mine 25 million tonnes of coal per year for 25 years. The company's output is expected to include production of liquid coal fuels and production of 120MW of electricity sold in Mozambique and possibly to **Zambia**.<sup>16</sup>

**Brazil-based Vale, United Kingdom (UK)-listed Ncondezi Energy Ltd** and India-based **Jindal Steel and Power Ltd** have already announced plans to build coal-fired power plants in Mozambique.<sup>17</sup>

## 1.5 Government signs oil and gas sector MoU with India

The Indian and Mozambique governments have signed a memorandum of understanding (MoU) for cooperation in the oil and gas sector.<sup>18</sup> The MoU is yet another signal that India increasingly views Mozambique as a strategic supplier of natural gas to feed demand for its gas-fired power plants. The MoU seeks cooperation in the upstream and downstream oil and gas sectors in the area of enhancing capacity-building, forging closer cooperation between research and training centres and intensifying technology transfer.<sup>19</sup> The five-year MoU states:

*"Mozambique is strategically located near India and is ideally suited for bringing natural gas to India at market-determined price. Participation of Indian energy companies in the project will facilitate access to LNG for the growing Indian gas market."*<sup>20</sup>

<sup>13</sup> Source, political analyst, Maputo

<sup>14</sup> [www.worldcoal.com](http://www.worldcoal.com)

<sup>15</sup> Bloomberg, 18 Nov 2014.

<sup>16</sup> Macaclub, 18 Nov 2014.

<sup>17</sup> Macaclub, 18 Nov 2014.

<sup>18</sup> Business Standard, 29 Oct 2014.

<sup>19</sup> IANS, 29 Oct 2014.

<sup>20</sup> IANS, 29 Oct 2014.

Signalling India's view of Mozambique as a strategic energy supplier, in mid-November the Indian stealth navy frigate **INS Teg** made a port call at **Nacala**, in northern Mozambique, the centre of Mozambique's offshore oil and gas sector.<sup>21</sup> The visit was a symbolic gesture, but is a clear sign of strong energy focused economic relationship between India and Mozambique.

## 1.6 Government keeps armed forces on alert in Sofala Province

Deputy interior minister **Jose Mandra** confirmed that the **Forças Armadas de Defesa de Moçambique (FADM)** (armed forces) remain on alert in **Sofala Province**, particularly the **Gorongosa** area, the epicentre of Renamo support. Despite Dhlakama's public commitment not to return to war (see *ARC Mozambique October 2014 Briefing*), Mandra said the FADM would remain "combat ready" as a precautionary measure to prevent the outbreak of any future violence. He also noted that Renamo and the government are still negotiating demobilisations and are also in a "heated" debate over the outcome of the recent elections (see above).<sup>22</sup>

The continued presence of combat ready FADM is not likely to lead to an escalation of violence in Sofala. In early November the **Equipa Militar de Observadores Internacionais da Cessação das Hostilidades Militares (EMOCHM)** (military observation team on the cessation of hostilities) established a presence in Sofala to observe, monitor and ensure the implementation of the cessation of hostilities and the subsequent peace process phases, particularly the integration of the Renamo fighters into the FADM and the **Polícia da República de Moçambique (PRM)** (national police). EMOCHM's aim is also to encourage the social and economic inclusion of former Renamo fighters as part of the peace process. **Edson Morale**, from **Botswana**, heads the EMOCHM in Sofala. His team integrates military experts from both the government and Renamo.<sup>23</sup>

## 2 Implications

The 2014 presidential and parliamentary elections saw Frelimo's share of the popular vote and number of parliamentary seats decline. This, however, does not represent a long-term trend. Frelimo is expected to remain in power with a majority in parliament for at least two more five-year terms under Nyusi.

The development of coal-fired power plants is a key component of coal investment strategy in Mozambique. The strategy allows investors to monetise non-export grade coal and at the same time help address government's commitment to addressing the power deficit which is expected to increase as the economy grows due to oil and gas sector investment. Mozambique is expected to start commercial exports of gas between 2018 and 2020.

India sees Mozambique as a strategically important energy supplier. It is geographically close to India, which is in need of natural gas to supply its gas-fired power plants. India currently has 18,000MW of idle power capacity due to a shortage of natural gas and another 10,000MW in the pipeline awaiting commissioning.<sup>24</sup>

<sup>21</sup> [www.nerve.in](http://www.nerve.in)

<sup>22</sup> CanalMoz, 11 Nov 2014.

<sup>23</sup> Club of Mozambique, 3 Nov 2014.

<sup>24</sup> Business Standard, 29 Oct 2014.



The continued presence of FADM combat ready troops in Sofala may not bode well for the talks between the government and Renamo regarding the demobilisation of Renamo fighters but is unlikely to trigger a return to war, as both sides have already publicly committed themselves to a peaceful resolution of their differences.