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Mozambique's main opposition party, Resistência Nacional Moçambicana (Renamo), elects Ossufo Momade as its leader on 17 January, replacing Afonso Dhlakama who died in May 2018. South African authorities arrest Mozambique's former finance minister and current Frente de Libertação de Moçambique (Frelimo) member of parliament, Manuel Chang, on 29 December on charges of wire fraud, money laundering and securities fraud over the \$2 billion hidden debt scandal. The United Kingdom-based Economist Intelligence Unit forecasts Mozambique's gross domestic product to remain unchanged in 2019 at 3.4%, the same as in 2018.

Renamo elects Ossufo Momade as new leader

Mozambique's main opposition party, **Resistência Nacional Moçambicana (Renamo)**, elected **Ossufo Momade** as its leader on 17 January, replacing **Afonso Dhlakama** who died in May 2018.¹ Despite fraud allegations after the October municipal elections, the peace agreement with the ruling **Frente de Libertação de Moçambique (Frelimo)** is expected to hold under Momade. Momade has led Renamo since 5 May 2018 when the party unanimously elected him as coordinator of the national political commission after Dhlakama's unexpected death on 3 May.² Momade obtained 410 votes at Renamo's national congress in **Sofala Province**, defeating Dhlakama's brother, **Elias Dhlakama**, who received 238 votes.³ Renamo secretary-general **Manuel Bissopo** received seven votes.⁴

Momade is a member of the **Makua** ethnic group which is a majority in the **Nampula, Cabo Delgado, Zambezi** and **Niassa Provinces**.⁵ He has been a member of Renamo since 1978, when he joined after defecting as a commander of the then-national military, **Forças Populares de Libertação de Moçambique (FPLM)**.⁶ Momade worked his way up Renamo's military ranks, reaching lieutenant-general and overseeing the 1992 peace commission and in 1996 became an elected provincial delegate in Nampula.⁷ Momade was Renamo secretary-general from 2007-2013 and head of defence and security from 2013 to 2018.⁸

Momade's main goal will be to improve Renamo's electoral results in the 15 October general elections, particularly after the party's disappointing results in the municipal elections (see *ARC Briefing Mozambique* October 2018). Despite tense relations between Renamo and the ruling Frelimo party since those elections, analysts expect peace to continue in Mozambique under Momade's leadership. A **Maputo**-based political analyst stated that,

"...even if Renamo does poorly in the general election, peace should hold. Both parties are tired of war and are at a stalemate – Renamo knows it cannot defeat Frelimo militarily, and Frelimo

¹ News24, 17 Jan 2019

² Club of Mozambique, 6 May 2018

³ News24, 17 Jan 2019

⁴ Journal du Cameroun, 17 Jan 2019

⁵ Club of Mozambique, 8 May 2018

⁶ Club of Mozambique, 8 May 2018

⁷ Club of Mozambique, 8 May 2018

⁸ Club of Mozambique, 8 May 2018

accepts that it cannot eliminate Renamo or other opposition parties. So the only recourse is elections and as long as there is not blatant fraud, peace will hold.”⁹

Momade stated on 17 January that he plans to remain in the **Gorongosa** mountain range during the peace talks, which may be a sign that he is preparing for conflict. However, Momade did state that

“...the lesson [of not going back to war] is in our heads. We will not go back to war, ever.”¹⁰

Peace and political stability will be important for Mozambique as it looks to exploit its abundant natural gas reserves in the near future. However, while there may be an outlook of peace and political stability, the government will still need to deal with its massive debt issue to ensure a sustainable economic future, even with peace.

South Africa arrests former finance minister and bankers over hidden debt scandal

South African authorities arrested Mozambique’s former finance minister and current Frelimo member of parliament, **Manuel Chang**, on 29 December on charges of wire fraud, money laundering and securities fraud over the \$2 billion hidden debt scandal.¹¹ South African authorities were able to arrest Chang due to a **United States (US)**-issued **Interpol Red Notice**, which seeks Chang’s extradition to the US.¹² South Africa will now decide whether to extradite Chang to the US or to Mozambique.¹³ Chang was finance minister between 2005 and 2015 under former President **Armando Guebuza** (2005-2015), at which time Chang would have overseen the signing of \$2 billion worth of loans for state-owned companies, **Empresa Moçambicana de Atum (Ematum)**, **Proindicus** and **Mozambique Asset Management (MAM)** in 2013.¹⁴ The loans were issued with government guarantees, which were illegal, and bypassed all regulatory oversight.¹⁵ The loans were only discovered in April 2016, and caused Mozambique’s debt to rise to 112% of gross domestic product.¹⁶ The hidden debt crisis also led the **International Monetary Fund** to suspend all disbursements and other countries to cut off direct financial support.¹⁷

In addition to Chang, US authorities arrested and extradited **Lebanese** businessman **Jean Boustani** at **JF Kennedy Airport in New York (US)** on 2 January as he was attempting to leave the US. Boustani worked for **Abu Dhabi**-based company **Privinvest**, through which he helped to coordinate the fraud.¹⁸ The US has also focused its investigations on **Switzerland**-based **Credit Suisse**, which was one of the main lenders of the debt along with **Russia**-based **VTB**.¹⁹ An indictment was filed against Boustani and three former Credit Suisse executives – **Andrew Pearse**, **Surjan Singh**, and **Detelina Subeva** – in the **US District Court for the Eastern District of New York (Brooklyn)** on 19 December, charging them with four counts of conspiracy to commit money laundering, conspiracy to violate the **US Foreign Corrupt Practices Act (FCPA)**, conspiracy to commit securities fraud and conspiracy to commit wire fraud, for their role in the lending.²⁰ The same charges are levelled against Chang, with the exception of the FCPA conspiracy count.²¹ Credit Suisse has distanced itself from the

⁹ Source, political analyst, Maputo

¹⁰ Club of Mozambique, 18 Jan 2019

¹¹ IOL, 1 Jan 2019

¹² IOL, 1 Jan 2019

¹³ Plataforma, 17 Jan 2019

¹⁴ IOL, 1 Jan 2019

¹⁵ AllAfrica, 9 Jan 2019

¹⁶ IOL, 1 Jan 2019

¹⁷ IOL, 1 Jan 2019

¹⁸ Club of Mozambique, 5 Jan 2019

¹⁹ AllAfrica, 9 Jan 2019

²⁰ FCPA Blog, 4 Jan 2019

²¹ Club of Mozambique, 5 Jan 2019

executives and claim they were acting on their own.²² The US may not press charges against Credit Suisse, but it may face up to \$300m in fines for its lax due diligence procedures.²³

The arrests shine a light on an issue the ruling Frelimo had hoped would stay in the dark, considering President **Filipe Nyusi** (2015-present) was defence minister at the time and likely aware of the loans. According to a Maputo-based political studies professor,

“...this is the biggest crisis in the Frelimo party. There is no longer one Frelimo. There are many Frelimos [and] the youth are revolting against Frelimo.”²⁴

The government appears to be in clean-up mode, also requesting extradition of Chang to Mozambique on 10 January.²⁵ The **Procuradoria-Geral da República** (attorney-general) stated on 7 January that it had 18 suspects in custody with regard to the illegal loans, which include Chang, as well as deputy finance minister **Maria Isaltina Lucas**, former **Banco de Moçambique** (central bank) governor **Ernesto Gove** and other former government officials.²⁶ Lucas is the only one who is currently involved in government; the vast majority are officials who worked with the three companies set up for the hidden debt fraud.²⁷

The investigations and criticism will be a negative for Nyusi ahead of the October general elections. Nyusi is unlikely to pursue the stolen money but instead will want to keep loyalty among his party members. Despite civil society calls to stop paying the debt, the finance ministry stated that it will pay back all debts.²⁸ This is easier than looking into where the money went, as any further investigations are likely to implicate other high-ranking Frelimo government members, as well as Nyusi himself. It is likely that the Mozambique government knew Chang was to be arrested and planned to use him as a scapegoat for the scandal. Some analysts believe the US will not risk pushing the investigations too much, for fear that the government will retaliate against the US firms that are exploring for natural gas in Mozambique.²⁹ The government will hope that the issue will soon go quiet, though it is yet to be seen whether Renamo will use it as its main campaign issue going into the October general elections.

Economic growth to remain sluggish in 2019

The **United Kingdom**-based **Economist Intelligence Unit (EIU)** forecasts Mozambique's gross domestic product (GDP) to remain basically unchanged in 2019 at 3.4%, down from 3.5% in 2018.³⁰ Mozambique's growth has dropped dramatically since the hidden debt scandal was revealed, though analysts expect growth to rebound to over 7% after oil and gas projects come on line in 2022. Among the reasons for projected stagnant growth in 2019 are lack of access to credit, particularly for agriculture producers, and the fall in the price of coal, both of which will limit investment in the respective sectors.³¹ Speculation over whether the government will begin to pay its late debt payments this year and re-negotiate its remaining debt issues may also be a reason for low growth prospects (see *ARC Briefing Mozambique* December 2018).

The EIU expects economic growth to improve to 4.5% in the 2020-2022 period, and up to 7.5% from 2023 onwards.³² Much of the economist boost is due to the start of gas extraction from the **Coral Sul** field, though this may be tempered due to an oversupply of natural gas in the world market and the

²² AllAfrica, 9 Jan 2019

²³ AllAfrica, 9 Jan 2019

²⁴ Mail & Guardian, 17 Jan 2019

²⁵ Plataforma, 17 Jan 2019

²⁶ AllAfrica, 8 Jan 2019

²⁷ AllAfrica, 10 Jan 2019

²⁸ AllAfrica, 11 Jan 2019

²⁹ FT, 14 Jan 2019

³⁰ Macau Daily Times, 23 Jan 2019

³¹ Macau Daily Times, 23 Jan 2019

³² Macau Daily Times, 23 Jan 2019

need for almost all materials for the construction of the facilities to be imported.³³ Other projects may help to boost the economy – a final investment decision on the area 4 block natural gas project, owned by Italy-based **Eni**, US-based **ExxonMobil** and China-based **China National Petroleum Corporation**, is expected in 2019.³⁴ ExxonMobil has secured offtake commitments for its project, which will provide project financing and make a positive final investment decision more likely.

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2019 Final investment decision expected on **Area 4 block** natural gas project, owned by Italy-based **Eni**, US-based **ExxonMobil** and China-based **China National Petroleum Corporation**

21 Feb 2019 **Maputo (Mozambique) Banco de Moçambique** interest rate decision

Oct 2019 General elections scheduled

20-22 Nov 2019 **Maputo (Mozambique) Mozambique Gas Summit**

22-23 Apr 2020 **Maputo (Mozambique) Mozambique Mining Energy and Oil & Gas Conference and Exposition**

Chronology

22 Jan 2019 **Maputo (Mozambique) Al Jazeera**. Tropical cyclone **Desmond** makes landfall in **Mozambique**, resulting in flooding;

18 Jan 2019 **Maputo (Mozambique) The South African**. **Mozambique** requests the extradition of former finance minister **Manuel Chang** over corruption charges, joining the US in an extradition request;

17 Jan 2019 **Maputo (Mozambique) AFP**. Opposition party **Renamo** elects **Ossufo Momade** as its leader, replacing the late **Afonso Dhlakama**;

16 Jan 2019 **Maputo (Mozambique) MacauHub**. The **Instituto Nacional de Estatística** reports 3.91% inflation in 2018;

15 Jan 2019 **Maputo (Mozambique) Journal du Cameroun**. Opposition party **Renamo** announces that three candidates – **Ossufo Momade**, **Manuel Bissopo**, and **Elias Dhlakama** – will run for the party's leadership;

15 Jan 2019 **Maputo (Mozambique) Reuters**. **United Kingdom**-based **Financial Conduct Authority** ends its criminal probe into **Switzerland**-based **Credit Suisse**'s alleged fraud in **Mozambique**, but continues to investigate breaches of conduct rules;

14 Jan 2019 **Cabo Delgado (Mozambique) News24**. Suspected jihadist fighters kill 12 people in **Cabo Delgado** during several attacks on cars and buses;

10 Jan 2019 **Johannesburg (South Africa) EWN**. The **Kempton Park** magistrate's court postpones the corruption trial of **Mozambique**'s former finance minister, **Manuel Chang**, until 17 January;

9 Jan 2019 **Johannesburg (South Africa) Sowetan Live**. Judge **Sagra Subroyen** dismisses an application to throw out a corruption case against **Mozambique**'s former finance minister, **Manuel Chang**;

7 Jan 2019 **Maputo (Mozambique) Reuters**. The attorney general's office indicts 18 people for their involvement in the \$2 billion hidden debt scandal;

³³ Macau Daily Times, 23 Jan 2019

³⁴ MacauHub, 31 Dec 2018

3 Jan 2019 **Maputo (Mozambique)** *Reuters*. Authorities arrest three former bankers from **Switzerland-based Credit Suisse Group in London (United Kingdom)** on **United States (US)** charges of fraud involving hidden loans to state-owned companies;

3 Jan 2019 **Maputo (Mozambique)** *Telecompaper*. The **Instituto Nacional das Comunicações de Moçambique (INCM)** (communications regulatory authority) reports that mobile phone subscribers reached 13.6 million by the end of 2017, up 4% year-on-year;

1 Jan 2019 **Maputo (Mozambique)** *Reuters*. Former finance minister, **Manuel Chang**, is arrested in South Africa at the request of the **United States (US)** for conspiracy to commit wire and security fraud;

31 Dec 2018 **Maputo (Mozambique)** *New Europe*. **Italy-based Eni** and **US-based ExxonMobil** secure LNG offtake commitments, which may help to move closer to a final investment decision for the **Rovuma LNG** project;

28 Dec 2018 **Maputo (Mozambique)** *MacauHub*. The **Economist Intelligence Unit** forecasts **Mozambique's** economic growth at 7.5% by 2023;

22 Dec 2018 **Maputo (Mozambique)** *Macau Hub*. **Renamo** secretary-general **Manuel Bissopo** plans to run for party leader in January;

20 Dec 2018 **Maputo (Mozambique)** *Mining Weekly*. **Australia-based** mining company **Syrah Resources** signs a sale agreement with **China-based Qingdao Langrui Graphite** for at least 48,000 tonnes of graphite from its **Balama** mine in **Mozambique**;

17 Dec 2018 **Maputo (Mozambique)** *MacauHub*. The **International Monetary Fund** forecasts **Mozambique's** GDP will grow between 4% and 4.7% in 2019;

17 Dec 2018 **Cabo Delgado Province (Mozambique)** *Macau Business*. The government signs an agreement with **France-based** renewable energy company **Neoen** to build a solar plant in **Cabo Delgado Province**;

17 Dec 2018 **Maputo (Mozambique)** *Globe News Wire*. **United Kingdom-based** mining company **Wentworth Resources** relinquishes its **Tembo** block and will close its **Mozambique** offices as of 30 April 2019;

15 Dec 2018 **Maputo (Mozambique)** *Mainichi*. **Mozambique** ratifies the **Arms Trade Treaty** at the **United Nations**;

14 Dec 2018 **Maputo (Mozambique)** *African Markets*. The **Bank of Mozambique** (central bank) cuts its monetary policy rate to 14.25% to boost the economy;

12 Dec 2018 **Maputo (Mozambique)** *AFP*. The government appoints three top opposition commanders from **Renamo** to key army command posts as part of the peace agreement;

10 Dec 2018 **Maputo (Mozambique)** *Political Analysis South Africa*. **Cervejas de Mocambique** begins construction of a \$180m brewery north of **Maputo**.