

AFRICA RISK CONSULTING

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Mozambique Summary 29 August 2019

President Filipe Nyusi (2015-present) and opposition Resistência Nacional Moçambicana (Renamo) leader Ossufo Momade sign the third peace agreement between the ruling Frente de Libertação de Moçambique (Frelimo) and Renamo since independence. The government continues its crackdown on officials allegedly involved in the \$2 billion hidden debt scandal and continues efforts to extradite former finance minister Manuel Chang from South Africa for trial. France-based oil giant Total becomes the operator of the Area 1 block in the Rovuma Basin after United States (US)-based Occidental Petroleum Corporation completes its acquisition of US-based Anadarko Petroleum Corporation.

Frelimo and Renamo sign peace accords

President **Filipe Nyusi** (2015-present) and opposition **Resistência Nacional Moçambicana (Renamo)** leader **Ossufo Momade** signed a peace accord on 6 August, the third peace agreement between the ruling **Frente de Libertação de Moçambique (Frelimo)** and Renamo since independence.¹ The **Maputo Peace and National Reconciliation Accord** will help boost investor confidence, particularly in natural resources projects, although the stability of the agreement will depend on how the two parties accept the results of the October general elections. Frelimo head Nyusi embraced Momade after signing the agreement at Renamo's remote military base in the **Gorongosa** mountains.²

The new peace agreement stipulates that there will be decentralisation from the federal government to the provinces and that Renamo fighters will be disarmed and integrated into the national forces.³ Parliament voted in May to amend the constitution to allow for decentralisation and changes to the electoral laws, which will allow the party that wins the provinces to choose the governor (rather than the party that won the general election). Renamo disarmament and integration has been a sticking point and was the main point of contention during negotiations between Nyusi and former Renamo leader **Afonso Dhlakama**, who died in May 2018 during the peace talks.⁴ Nyusi continued the talks with Momade, who was elected leader in January 2019, which led to this agreement. Parliament's passage on 29 July of an amnesty law for all crimes committed during the conflict for government and Renamo troops since 2014 will help Renamo fighters to lay down their arms without fear of repercussions for previous actions.⁵ Renamo began disarmament on 30 July, and more than 5,200 Renamo fighters are expected to surrender their weapons to the government in terms of the peace treaty.⁶

This agreement differs from previous peace accords in that it mandates the end of the Renamo military. The first peace agreement in 1992 allowed Renamo to keep an armed wing to protect Dhlakama.⁷ The peace agreement ended with conflict in 2013, which led to a new accord in 2014, but this lasted only a year. Conflict began again until a ceasefire in 2016.⁸

¹ Al Jazeera, 1 Aug 2019

² Al Jazeera, 1 Aug 2019

³ Club of Mozambique, 1 Aug 2019

⁴ Club of Mozambique, 1 Aug 2019

⁵ Al Jazeera, 1 Aug 2019

⁶ Club of Mozambique, 1 Aug 2019

⁷ Global Voices, 28 Aug 2019

⁸ Global Voices, 28 Aug 2019

There are risks that this latest peace agreement will not last either. A disputed election result in October is the most serious risk to the agreement – both previous agreements ended in conflict after disputed election results. Renamo is expected to win several provinces, which, in terms of the amended constitution, will allow the party to choose the governors and rule those provinces.⁹ This was a key motivation for Renamo to sign the peace agreement, but if electoral results show an overwhelming Frelimo win, particularly in provinces seen as Renamo strongholds, the risk of conflict will be high.

A breakaway military faction in Renamo poses an additional risk.¹⁰ This faction, led by major general **Mariano Nhongo**, previously threatened to kill Momade if he went through with the accord (see *ARC Briefing Mozambique June 2019*). Nhongo's faction rejected the peace accord on 17 August; his support within Renamo may increase if there are allegations of evidence of electoral fraud in October.

For now, there is little public enthusiasm for the peace treaty. Many are waiting to see what happens after Mozambique's October election.

Government continues crackdown over \$2 billion hidden debt scandal

The government has continued its crackdown on those alleged to have been involved in the \$2 billion hidden debt scandal in an attempt to show donors and the international community that it is holding government officials to account for the corrupt deal. The government is also hoping to halt further investigations into the deal that could implicate senior Frelimo officials, particularly as the October election approaches.

The government is casting its net both within and outside Mozambique. Through **United Kingdom**-based law firm **Peters & Peters Solicitors LLP**, it filed a case on 1 August against **Lebanese-French** billionaire **Iskander Safa** for fraud.¹¹ Safa is the founder and CEO of shipbuilder **Prinvest**, against which the government started legal action in February (see *ARC Briefing Mozambique March 2019*).¹² Prinvest was contracted to supply the ships for the \$2 billion project, which involved funding to state-owned companies, **Empresa Moçambicana de Atum (Ematum)**, **Proindicus** and **Mozambique Asset Management (MAM)** in 2013.¹³ The loans were issued with government guarantees, which were illegal, and bypassed all regulatory oversight.¹⁴ The loans were not discovered until the end of 2017 which caused Mozambique's debt to rise to 112% of gross domestic product.¹⁵ The secret loans ultimately facilitated hundreds of millions in corrupt payments to government officials. Safa is not a defendant in this case and denies all wrongdoing in the individual case against him.¹⁶ The government is also looking for scapegoats within the country to blame for the scandal. The public prosecutor finalised charges of corruption, embezzlement, money laundering and abuse of office, amongst other charges, against 20 people on 9 August in connection with the debt scandal.¹⁷ The accused include **Ndambi Guebuza**, son of former President **Armando Guebuza** (2005-2015), Guebuza's former private secretary, **Ines Moiane**, and former head of state security, **Gregorio Leao**.¹⁸

The government is also trying to repatriate former finance minister **Manuel Chang** from South Africa, where he is held on an international warrant for corruption. South Africa's justice minister, **Ronald Lamola**, halted a decision on 13 July to send Chang to Mozambique for trial (see *ARC Briefing Mozambique July 2019*). Lamola reversed the decision of his predecessor, **Michael Masutha**, on the grounds that Chang had immunity from arrest and prosecution as a result of his position as a deputy

⁹ Reuters, 6 Aug 2019

¹⁰ Global Voices, 28 Aug 2019

¹¹ Bloomberg, 1 Aug 2019

¹² Bloomberg, 1 Aug 2019

¹³ IOL, 1 Jan 2019

¹⁴ AllAfrica, 9 Jan 2019

¹⁵ IOL, 1 Jan 2019

¹⁶ Bloomberg, 1 Aug 2019

¹⁷ Citizen, 9 Aug 2019

¹⁸ Citizen, 9 Aug 2019

of the Mozambican parliament and would not face trial for corruption charges in Mozambique.¹⁹ Chang resigned as a member of parliament on 24 July, meaning he would no longer have parliamentary immunity.²⁰ This should allow South Africa to extradite Chang to Mozambique rather than the **United States (US)**, which is also requesting his extradition to stand trial. On 13 August, the **North Gauteng High Court** postponed the case to extradite Chang to the US or Mozambique to 16-17 October.²¹ The Mozambique government submitted its formal application on 23 August to extradite Chang to Mozambique.

The government is concerned that a US-based trial may result in the implication of more Frelimo members, including President Nyusi, who was defence minister at the time of the corrupt deals. South Africa is now likely to extradite Chang to Mozambique to retain good diplomatic relations with its neighbour while the US is unlikely to fight the decision as legal avenues have been used. This bodes well for political stability in Mozambique, although the risk remains that senior government officials may see themselves as above the law, which could result in corrupt activities in the future.

Total becomes Area 1 block operator in Rovuma Basin

France-based oil giant **Total** became the operator of the Area 1 block in the **Rovuma Basin** on 12 August after US-based **Occidental Petroleum Corporation** completed its acquisition of US-based **Anadarko Petroleum Corporation**.²² Total's acquisition is a best-case scenario for Mozambique as Total not only brings experience and deep pockets to the liquefied natural gas (LNG) project, but its presence as an oil major demonstrates confidence in Mozambique's LNG future.

Total agreed to purchase all **African** assets of Anadarko in May 2019 for \$8.8 billion if Occidental completed the acquisition. In addition to the Mozambique assets, Total acquired assets in South Africa, **Algeria** and **Ghana**.²³ Total CEO **Patrick Pouyanne** said on 16 August that the company is committed to developing the LNG project, stating

*"...I would like to reaffirm the importance of Mozambique LNG for Total, where we will become the operator. This is a unique asset which perfectly fits our strategy and our skills."*²⁴

Mozambique aims to become a major LNG exporter and is hoping that the Rovuma Basin project will help to develop the economy and create thousands of jobs. While Total's involvement is a positive development, the government will need to deliver on the promise of LNG investment, using the proceeds from the project to provide service delivery and a better standard of living for Mozambicans. If not, future protests and potential conflict are likely, regardless of Total's positive involvement.

¹⁹ Times Live, 13 Jul 2019

²⁰ Club of Mozambique, 24 Jul 2019

²¹ Club of Mozambique, 13 Aug 2019.

²² MacauHub, 12 Aug 2019

²³ MacauHub, 12 Aug 2019

²⁴ Bloomberg, 16 Aug 2019

Planner

16-17 Oct **Johannesburg (South Africa)** The **North Gauteng High Court** hears case to extradite former **Mozambican** finance minister **Manuel Chang** to the **United States** or Mozambique

Oct 2019 (**Mozambique**) General elections scheduled

2031 (**Mozambique**) Maturity date under new Eurobond debt restructure deal

Chronology

26 Aug 2019 **Maputo (Mozambique)** *MacauHub*. **Japanese** ambassador to **Mozambique**, **Toshio Ikeda**, signs an agreement for a \$44m loan to **Mozambique** for the **Maputo Thermolectric Power Plant** project;

23 Aug 2019 **Maputo (Mozambique)** *Engineering News*. The **United States (US) Import-Export Bank** will vote on a \$5 billion direct loan for US exports of goods and services for an LNG plant on **Afungi Peninsula** in **Mozambique**;

22 Aug 2019 **Moscow (Russia)** *AFP*. President **Filipe Nyusi** signs energy and security agreements with **Russia's** President **Vladimir Putin** during a state visit to **Moscow**;

20 Aug 2019 **Maputo (Mozambique)** *AllAfrica*. The **Maputo City Court** orders the preventive detention of nine of 20 suspects involved in the \$2 billion hidden debt scandal, including **Renato Matusse**, former advisor to former President **Armando Guebuza**;

19 Aug 2019 **Maputo (Mozambique)** *MacauHub*. Economy and finance minister **Adriano Maleiane** says that the budget deficit should be 8.9% of GDP in 2019;

18 Aug 2019 **Maputo (Mozambique)** *AFP*. Opposition party **Renamo** claims that police and ruling **Frelimo** party members assaulted Renamo members despite signing a peace deal with President **Filipe Nyusi**;

15 Aug 2019 **Maputo (Mozambique)** *African Markets*. The **Banco de Moçambique** (central bank) lowers its monetary policy rate by 50 basis points to 12.75% as inflation decreases;

14 Aug 2019 **Maputo (Mozambique)** *Xinhua*. The **International Monetary Fund** pledges \$118m in funding to help **Mozambique** with post-cyclone reconstruction;

13 Aug 2019 **Mocuba (Mozambique)** *Logistics Update Africa*. President **Filipe Nyusi** inaugurates Mozambique's first solar power station, which will add 40 megawatts of electricity to the grid;

13 Aug 2019 **Maputo (Mozambique)** *AllAfrica*. The **South African High Court** postpones the decision to extradite former **Mozambican** finance minister **Manuel Chang** to the **United States** or Mozambique to 16-17 October;

12 Aug 2019 **Maputo (Mozambique)** *MacauHub*. **France**-based oil giant **Total** officially becomes the operator of the **Area 1** block in terms of an agreement with **United States**-based oil company **Occidental Petroleum Corporation**;

9 Aug 2019 **Maputo (Mozambique)** *Moneyweb*. The government charges 20 people, including **Ndambi Guebuza**, son of former President **Armando Guebuza**, over the \$2 billion hidden debt scandal;

7 Aug 2019 **Maputo (Mozambique)** *Mail & Guardian*. President **Filipe Nyusi** and opposition **Resistência Nacional Moçambicana (Renamo)** leader **Ossufo Momade** formally sign a peace agreement;

6 Aug 2019 **Palma (Mozambique)** *eNCA*. President **Filipe Nyusi** lays the foundation stone for

the \$25 billion **Rovuma Basin** LNG project, beginning construction on the project;

1 Aug 2019 **Maputo (Mozambique)** *Bloomberg*. The government sues **Lebanese-French** billionaire **Iskander Safa** for fraud over Safa-owned shipbuilder **Prinvest**'s role in the \$2 billion hidden debt scandal;

31 Jul 2019 **Maputo (Mozambique)** *AFP*. President **Filipe Nyusi** says the government will stop the attacks by reported **Islamist** groups in **Cabo Delgado**;

31 Jul 2019 **Maputo (Mozambique)** *Club of Mozambique*. The government plans to fight for the extradition of former finance minister **Manuel Chang** from **South Africa** on corruption charges over a potential extradition to the **United States**;

31 Jul 2019 **Maputo (Mozambique)** *Reuters*. President **Filipe Nyusi** says that the ruling **Frelimo** government will sign an official peace agreement with opposition party **Renamo** to end military hostilities after three decades of war;

30 Jul 2019 **Maputo (Mozambique)** *AFP*. Opposition party **Renamo** begins disarming its armed wing as part of the peace process;

29 Jul 2019 **Maputo (Mozambique)** *AllAfrica*. President **Filipe Nyusi** says that opposition party **Renamo** will provide lists of armed rebels to be disarmed in early September, which is a key step in the peace process;

29 Jul 2019 **Maputo (Mozambique)** *Xinhua*. Parliament passes an amnesty bill which will pardon all criminal acts against the state during the civil war, as part of the peace process;

26 Jul 2019 **Maputo (Mozambique)** *IOL*. **Zimbabwean** media reports that **Mozambique's** trade and commerce minister, **Rajendra De Sousa**, told Zimbabwe's President **Emmerson Mnangagwa** that Mozambique would retaliate with sanctions after Zimbabwe banned several Mozambique products from crossing the border;

24 Jul 2019 **Maputo (Mozambique)** *MoneyWeb*. Former finance minister **Manuel Chang** resigns as a legislator, which may allow him to be extradited to **Mozambique** from **South Africa** as he will no longer have immunity;

23 Jul 2019 **Maputo (Mozambique)** *Stock Market Wire*. **Ncondezi Energy** agrees to develop a \$1 billion coal mine and power plant with **China-based China Machinery Engineering Corporation** and **United States-based General Electric**.

About Africa Risk Consulting:

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