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Immediate past president Armando Emilio Guebuza (2005-2015) steps down as ruling Frente de Libertação de Moçambique (Frelimo) president. Parliament passes a new five-year plan. The Instituto Nacional de Petróleo (INP) extends its fifth oil and gas licensing round. Standard Bank Mozambique says the government's economic growth projections are too optimistic. Government-owned Portos e Caminhos de Ferro de Moçambique (CFM) plans to raise \$2.3 billion for ports and railway infrastructure investment. Resistência Nacional Moçambicana (Renamo) gunmen attack security forces in Sofala Province.

Guebuza steps down as Frelimo party leader

Immediate past president **Armando Emilio Guebuza** (2005-2015) stepped down as leader of the ruling **Frente de Libertação de Moçambique (Frelimo)** on 28 March.¹ Frelimo immediately elected President **Filipe Jacinto Nyusi** (2015-present), unopposed, as Frelimo's new head. Of the 186 votes, Nyusi received 183 – two ballots were left blank and one was invalid.² The smooth transition of power from Guebuza to Nyusi will increase Frelimo unity and return the party to its historical norm of the president also holding the presidency of the ruling party.³

Guebuza's resignation was a surprise as he was expected to stay on as Frelimo head for another two years. He had previously indicated that he would not resign but would complete his last two years as Frelimo president. Frelimo re-elected Guebuza as president at the party's 10th congress, held in the northern city of **Pemba**, in 2012. His five-year term as Frelimo president was scheduled to expire in 2017.⁴ However, **Damiao Jorge**, a Frelimo MP said

“Comrade Armando Guebuza said he had undertaken a profound reflection and, in order to maintain the unity and cohesion of Frelimo, taking into account the moment we are living through, and after consulting some party comrades, he reached the conclusion that now was the appropriate moment to resign.”⁵

The matter of party succession was not officially on the agenda of the Frelimo central committee meeting that took place in **Matola** between 26 and 29 March.⁶ Many Frelimo members tried to avoid the discussion of the leadership issue. Frelimo spokesperson **Damiao Jose** publicly stated that party succession was not on the agenda.⁷

*“... in his opening speech of the central committee meeting, Guebuza criticised the party's members who, according to him, undertook activities which disturbed the normal functioning of the party bodies. This was in clear reference to those members who were against two centres of power within the party, one under Guebuza, and the other under Nyusi. Guebuza's speech was seen as a threat to those who might be willing to raise the discussion of the succession matters during the central committee session. In fact, some Frelimo veterans, such as former first lady **Graca Machel** and*

¹ Source, political analyst, Maputo

² Source, political analyst, Maputo

³ www.clubofmozambique.com

⁴ AIM, 29 Mar 2015.

⁵ www.allafrica.com

⁶ Source, political analyst, Maputo

⁷ Source, political analyst, Maputo

*Oscar Monteiro denied giving comments to the media on this issue. The veteran of the liberation war and former minister in the **Samora Machel** (1975-1986) government, **Jorge Rebelo**, said in an interview right after the opening speech that Guebuza was threatening the central committee members to raise the matter of succession. However, the election results showed clearly that all central committee members were in favour of Nyusi.”⁸*

Parliament passes government’s new five-year plan

Parliament voted in favour of the government’s new five-year plan for 2015 to 2019 on 14 April.⁹ The official objective of the plan is to improve the living conditions of Mozambicans through increasing employment, production and competitiveness, creating wealth, and generating balanced and inclusive development in an environment of peace, security, harmony, solidarity, justice and cohesion. The plan has several core objectives. They include:

- increasing the number of children enrolled in primary education from 81% in 2015 to 86% in 2019;
- increasing the number of births in health units from 71% in 2015 to 75% in 2019;
- increasing the number of fully vaccinated children from 82% in 2015 to 94% in 2019;
- increasing the number of health professionals from 94 per 100,000 in 2015 to 113.3 in 2019;
- increasing the percentage of the population that has access to fresh drinking water from 53% to 75% in rural areas, and 85% to 90% for urban areas respectively from 2015 to 2019;
- increasing the percentage of the population that has access to decent sanitation from 15% to 50% in rural areas and 50% to 80% for urban areas respectively from 2015 to 2019;
- increasing the percentage of the population that has access to electricity, through either solar or grid access, from 45% in 2015 to 55% in 2019.¹⁰

With regard to the economy, the government’s new five-year plan aims to maintain an annual growth rate of between 7-8%, keeping annual inflation below 10% and maintaining a budget deficit before grants of lower than 22% of GDP.¹¹

Government extends 5th oil and gas licensing round

The **Instituto Nacional de Petróleo (INP)** (National Petroleum Institute) has extended the fifth licensing round for oil and gas exploration blocks for a further 90 days to allow companies to complete their bid documentation.¹²

“... there is a concern that the drop in the global oil prices may have affected the appetite for new oil and gas projects in Mozambique ... some medium-sized oil companies gave up competing for new concession blocks in Mozambique due to the current global oil prices ... some people believe that there would be a reduction in the number of companies competing for new exploration areas.”¹³

The INP launched its fifth licensing round simultaneously in **Maputo** and in **London, United Kingdom (UK)** on 25 October 2014 with a closing deadline of 20 January 2015. However, in December the government extended the deadline to 30 April 2015 (see *ARC Mozambique January 2015 Briefing*), with the latest extension to 30 July 2015. According to the INP, the new extension follows a request from competing companies for a further delay to allow them to complete the requested legal process.

⁸ Source, political analyst, Maputo

⁹ AIM, 14 Apr 2015.

¹⁰ AIM, 14 Apr 2015.

¹¹ AIM, 14 Apr 2015.

¹² Source, political analyst, Maputo

¹³ Source, business journalist, Maputo

The 15 new oil and gas blocks on offer are in the **Rovuma, Moçambique, Zambezi and Palmeira** basins.¹⁴ They cover a total area of 76,800 square kilometres. Three of the blocks are in the Rovuma basin, where **United States (US)-based Anadarko** and **Italy-based Ente Nazionale Idrocarburi (ENI)** have discovered 200 trillion cubic feet of natural gas off the coast of the northern **Cabo Delgado Province**.¹⁵

Mozambique approved a new petroleum law in August 2014, which will govern future oil and gas contracts, however,

“... this law still has no regulations, which makes it difficult to be fully applied. Besides, the fifth licensing round was launched during the Guebuza regime and was firstly due to close before the inauguration of the new government. It is possible that the new government might be trying to shape the competition in its style or to meet its plans and interest.”¹⁶

Standard Bank says government’s GDP growth projections are too optimistic

Standard Bank Mozambique has said that the government’s 7.5% GDP growth forecast for this year does not consider the effect of floods and the slowdown in foreign investment.

“The government plans a GDP growth of 7.5% this year, which in our opinion does not yet appropriately reflect the negative effect of the floods, the expectations of a deceleration in investment and the strong probability of adopting a less accommodative monetary policy in order to contain inflation.”¹⁷

Standard Bank recommends the government take a strong coordinated approach to its fiscal policy, as it is expected that the 2015 budget will present a fiscal deficit substantially higher than the 17.5% registered in the 2014 budget, which is necessary to ensure debt sustainability and public expenditure. Standard Bank said that the prevailing factors may cut between 0.5% and 1% from Mozambique’s GDP growth forecast.¹⁸

CFM plans to raise \$2.3 billion to finance new ports and railways

Victor Gomes, the chairman of the **Portos e Caminhos de Ferro de Moçambique (CFM)** (ports and railway company) said on 12 April that the company plans to raise \$2.3 billion to finance the development of ports and railways. The development of modern and efficient port and railway infrastructure is an important component of maintaining the viability of Mozambique’s mining sector and its attractiveness to foreign investors. The CFM is already well into its refurbishment and repair of the **Sena Railway** line which connects **Moatize** coal basin in **Tete Province** to the port of **Beira**. The CFM is also already undertaking studies for the rehabilitation, modernisation and expansion of the **Machipanda** line, which connects Mozambique’s border with **Zimbabwe** to the port of Beira. CFM is also conducting studies with regard to the expansion of the Beira oil terminal and plans to build two new bridges along the **Ressano** line. It plans to refurbish the **Nacala** port as well.¹⁹

Renamo gunmen attack security forces

Approximately 100 **Resistencia Nacional Moçambicana (Renamo)** members attacked a **Forças Armadas de Defesa de Moçambique (FADM)** (national army) position at **Mhabondze** in **Guija District (Gaza Province)** on 2 April. The attack, which consisted of a much larger Renamo contingent compared to the

¹⁴ Source, political analyst, Maputo

¹⁵ AIM, 6 Jan 2015.

¹⁶ Source, political analyst, Maputo

¹⁷ www.clubofmozambique.com

¹⁸ www.clubofmozambique.com

¹⁹ www.clubofmozambique.com

small clashes between 2012 and 2014 during Renamo's low-level insurgency, did not result in casualties on either side.²⁰

The reason for the attack is unclear, but police have indicated that Renamo gunmen have reportedly been moving south since mid-March. The commander of the Renamo attack was **Joao Chibadula**. He allegedly received orders directly from Renamo leader **Afonso Dhlakama** to move south and set up a base in **Maputo Province**. This is in line with the Dhlakama's recent statements that Renamo will attack government positions if its demands for autonomy are not met (see previous ARC Mozambique briefings).²¹

Renamo and the Frelimo government are currently in negotiations over the details of the 2014 peace agreement. A Gaza provincial government official described relations between Renamo and members of Mozambique's security forces as "*good but not secure*".²² One of the main points still under discussion is the integration of members of the Renamo militia into the FADM and the **Polícia da República de Moçambique (PRM)** (national police). The negotiations have reportedly stalled because Renamo refuses to hand over a list of those whom it wants to see recruited into the FADM and PRM.²³ The future success of the negotiations is linked to Frelimo's internal transition. Although Nyusi's election is seen as a historical transfer of power within Frelimo,

*"... it was also seen as an important sign that there would be significant progress in the negotiations between the government and Renamo. However, a hundred negotiation rounds have gone and there is still no consensus over the matters under discussion. Recently, the national observers called a press conference to show their disappointment at lack of progress in the negotiations and Nyusi also said he was disappointed at the lack of progress in the discussions after his two meetings with the Renamo leader, Afonso Dhlakama. However, Nyusi reiterated that he would do his best to bring peace in the country. Nyusi also promised that he would stand to defend Mozambique's constitution. Recently, the government delegation to the negotiations accused Renamo of trying to open a military base in **Muxungue** ... this is clearly against efforts to maintain peace. Muxungue is in **Sofala Province** and is a few kilometres away from the district of **Buze**, where the **Indonesian** company **Busi Hydrocarbons** announced its intention to start drilling for hydrocarbons in November."*²⁴

Implications

The smooth internal Frelimo transition from Guebuza to Nyusi will increase Frelimo unity and allow the government to address political, economic and security issues more efficiently and effectively.

Negotiations between the Frelimo government and Renamo are not progressing as quickly as the government would like. Despite recent Renamo attacks and calls for autonomy, Renamo is unlikely to revert to low-level insurgency it carried out 2013.

The decline in international commodity prices will have a negative impact on Mozambique's GDP growth. The delay in the fifth oil and gas licensing round is a clear sign of the impact. However, the economy is expected to perform well overall in 2015.

Port and railway infrastructure is an important component of maintaining the viability and attractiveness of Mozambique's mining sector to foreign investors. Investors will look to the successful development of such projects to help determine their final investment decisions.

²⁰ Multiple sources: AIM, 3 Apr 2015; AIM, 4 Apr 2015.

²¹ Multiple sources: AIM, 3 Apr 2015; AIM, 4 Apr 2015.

²² Multiple sources: AIM, 3 Apr 2015; AIM, 4 Apr 2015.

²³ Multiple sources: AIM, 3 Apr 2015; AIM, 4 Apr 2015.

²⁴ Source, political analyst, Maputo

About Africa Risk Consulting:

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