

## AFRICA RISK CONSULTING

### Mozambique Monthly Briefing March 2015

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#### Mozambique Summary 26 March 2015

*The main opposition party Resistência Nacional Moçambicana (Renamo) submits its autonomy bill to parliament. Divisions and constitutional debate emerge within the Frente de Libertação de Moçambique (Frelimo) party over the bill. Unknown assailants murder prominent constitutional lawyer Gilles Cistac who had backed Renamo's proposal. Renamo leader Afonso Dhlakama threatens to gain more autonomy through force if parliament does not pass the bill. The government accuses Renamo of violating the 2014 ceasefire agreement. Anadarko increases its Mozambique natural gas reserve estimates. The mining sector calls for future market contracts for mining sector deals.*

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#### Renamo continues to push for more autonomy

The main opposition **Resistência Nacional Moçambicana (Renamo)** party submitted a bill on 16 March for autonomous provincial governments, following its rejection of the 15 October elections on the ground that they were fraudulent (see *ARC Mozambique February 2015 Briefing*). It is not likely that the **Frente de Libertação de Moçambique (Frelimo)**-dominated parliament will pass Renamo's autonomy bill, but Renamo leader **Afonso Dhlakama's** calls have created political division between senior figures within the ruling Frelimo party and ignited a constitutional debate.

President **Filipe Jacinto Nyusi** (2015-present) and Dhlakama agreed in early February that Renamo would submit a bill to parliament for more autonomous provincial governments in the six central and northern provinces where Dhlakama obtained larger numbers of votes (see *ARC Mozambique February 2015 Briefing*).<sup>1</sup> In their meetings Nyusi promised Dhlakama that Frelimo's parliamentarians would take Renamo's proposal seriously and not simply reject it outright.<sup>2</sup> However,

*"Frelimo is clearly divided on this matter and nobody knows what the final decision will be. It is also clear that there are two powers of leadership within the party. Days after the Nyusi and Dhlakama agreement, Frelimo's political commission – which is still headed by former president Armando Guebuza (2005-2015) – sent teams throughout the country to argue that further decentralisation would divide the country and destroy national unity. This message was not welcomed by some Frelimo members and some of the party's senior figures appeared in public arguing that this was a confrontation and disrespect to President Nyusi and to the country's constitution."*<sup>3</sup>

**Teodato Hunguana**, a well-known lawyer and senior Frelimo member, praised Nyusi for having advised Dhlakama to submit its bill for autonomous provinces and criticised Frelimo's political commission for sending teams to argue against a bill that was not yet submitted to parliament at the time. Hunguana called on Frelimo to replace Guebuza as party president and elect Nyusi instead.<sup>4</sup>

In a development that raises concerns about increasing risk of political violence, unknown assailants murdered a backer of Renamo's autonomy proposal in a central **Maputo** café on 2 March. Well-known constitutional lawyer **Gilles Cistac** had indicated that Renamo's demand for autonomous provinces was

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

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

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

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

constitutionally sound.<sup>5</sup> The motive for Cistac's murder remains unclear although he had come under political attack for backing Renamo's autonomy proposal.

*"This happened when Cistac was leading a debate about the autonomous province issue and people believed that his positions helped Renamo to strengthen its arguments for more autonomous provinces. People link Cistac's murder with Frelimo, but that has not yet been proved."*<sup>6</sup>

### Constitutional or not?

Renamo's autonomy demand has raised a wide debate over whether it is constitutional or not. Many believe the proposal may require an amendment of the constitution, but others disagree. A prominent constitutional specialist working in Mozambique said autonomous provinces are possible under the constitution and, if approved, they would strengthen democracy and decentralise power to local communities.<sup>7</sup> However, senior Frelimo figures believe autonomous provinces are unconstitutional, and hence have avoided the debate.<sup>8</sup>

Renamo's call for autonomy is more a negotiating tactic to extract concessions from the new Nyusi government rather than a realistic call for independence or greater autonomy for Renamo's main base of political support in central and northern Mozambique. The government is unlikely to offer significant autonomy concessions to Renamo. In recent weeks, more and more influential figures within Frelimo have argued in favor of autonomous provinces or decentralisation. However, there are also those who oppose the idea, mostly on the grounds that this will destroy national unity.<sup>9</sup>

### Dhlakama threatens to use force to gain autonomy

Speaking in **Milange District (Zambezia Province)** on 9 March, Dhlakama threatened to use force to gain autonomy if the ruling Frelimo government does not 'rubber stamp' Renamo's autonomy proposal in parliament.<sup>10</sup> Dhlakama said,

*"The bill is with me, in this briefcase. We will not submit it, in order to ask Frelimo for its approval. It's just a matter of formalising it. If Frelimo wants to play around, then I will withdraw the document and we shall govern by force."*<sup>11</sup>

Dhlakama's threat does not bode well for the political reconciliation and peace process between Renamo and the Frelimo government, but Dhlakama is not expected to lead Renamo back into a long drawn out low level insurgency as he did in the years leading up to the 2014 election.

Parliament is in the process of reviewing Dhlakama's autonomy bill (see above). Before a vote takes place in parliament, a working committee on constitutional and legal affairs must review it and pass judgment as to whether the bill conforms to Mozambique's constitution.<sup>12</sup> Dhlakama is probably using threats of force to extract further concession from the new Nyusi government, which only came to power in January.

Frelimo accusations that Renamo is violating the 5 September 2014 ceasefire agreement will increase political tensions between the two parties, but are not expected to lead to a return to Renamo's low-level insurgency. The Frelimo government accused Renamo on 16 March of violating the ceasefire agreement signed between the previous Guebuza government and Renamo.<sup>13</sup> Speaking at a dialogue session between the government and Renamo, the government's lead negotiator, agriculture minister **Jose Pacheco**, said

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

<sup>6</sup> Source, political analyst, Maputo

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

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

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

<sup>10</sup> AIM, 10 Mar 2015.

<sup>11</sup> AIM, 10 Mar 2015.

<sup>12</sup> AIM, 10 Mar 2015.

<sup>13</sup> AIM, 17 Mar 2015.

Renamo gunmen had moved to occupy new positions in the southern **Inhambane** and **Gaza** provinces. Pacheco said,

*“... we are facing a violation of the agreement on ceasing military hostilities. So we are bringing this issue to the dialogue table to clarify and end this kind of attitude from our brothers in Renamo.”*<sup>14</sup>

Renamo lead negotiator **Saimone Macuiana** said he would not respond publicly until after he has thoroughly reviewed the government's accusation.<sup>15</sup>

*“Renamo has also intensified its threats. It is said that Renamo has sent armed men towards the southern part of the country. This might be a clear message from Renamo to show its power and potential to confront with the government troops in all the regions. This means that Frelimo has now two main issues to deal with. It has to find a way not to disappoint Renamo, but it is not believed that it is going to accept decentralise all the six provinces proposed by Renamo.”*<sup>16</sup>

The alleged Renamo troop movement appears to be a negotiating tactic linked to Dhlakama's recent announcement that Renamo will use force to take the provinces where he has support if the government does not grant these provinces greater autonomy.

### Anadarko increases natural gas reserve estimates

**United States (US)**-based independent oil and gas company **Anadarko Petroleum Corporation** increased its estimates of recoverable resources in Mozambique's offshore **Area 1** to more than 75 trillion cubic feet (tcf) of natural gas, from a previous estimate of between 50 and 70 tcf.<sup>17</sup> The increased reserve estimate is a further positive sign that Mozambique may achieve its long-term goal of becoming a key natural gas supplier to the fast growing economies of the **Middle East** and **East Asia**.<sup>18</sup>

Anadarko is the operator in Area 1, located in the **Rovuma Basin** in the northern **Cabo Delgado Province**. Anadarko's first discovery was in 2010 and it is now working on developing one of the world's largest liquefied natural gas (LNG) projects for the export of gas to markets, particularly in the Middle East and East Asia. Anadarko's director of external communications, **John Christiansen**, said the company and the Mozambican government are working together towards a final investment decision as soon as possible. Anadarko expects the first LNG export train to become operational 2019. However, 2021 is a more realistic estimate.<sup>19</sup>

Anadarko holds a 26.5% stake in Area 1 along with **Japan**-based **Mitsui** (20%), **India**-based **ONGC Videsh** (16%), **Oil India Ltd** (4%), **India**-based **BPRL Ventures** (10%) and **Thailand**-based **PTT** (8.5%). Mozambique government-owned oil and gas company **Empresa Nacional de Hidrocarbonetos (ENH)** holds a 15% interest.<sup>20</sup>

### Mining sector calls for future market contracts for mining sector deals

In a move that may reduce business risk for investors, the **Confederação das Associações Económicas de Moçambique (CTA)** (Confederation of Business Associations) and the **US Agency for Development (USAID)** have recommended that the government and mining companies establish contracts that explicitly include future market conditions. The changes to the contracts would result in shared risks of the volatile commodity market and minimise disputes that arise when the government renegotiates contracts.<sup>21</sup> The

<sup>14</sup> AIM, 17 Mar 2015.

<sup>15</sup> AIM, 17 Mar 2015.

<sup>16</sup> Source, political analyst, Maputo

<sup>17</sup> AIM, 10 Mar 2015.

<sup>18</sup> www.allafrica.com

<sup>19</sup> www.allafrica.com

<sup>20</sup> www.allafrica.com

<sup>21</sup> www.clubmofmozambique.com

recommendations come at a time of crisis in Mozambique's mining sector due to the fall in international commodity prices.

*"There has not been serious discussion of the crisis affecting the mining industry in Mozambique, although some of the mining companies had began negotiating fiscal incentives with the former government. It seems that this issue is not a priority for Filipe Nyusi's government which is still busy restoring peace and dealing with floods since it was inaugurated in mid-January."*<sup>22</sup>

The basic principle of the CTA/USAID suggestion is the introduction of clauses into contracts whereby the two parties would divide the profit or loss, according to agreed rules, following a rise or fall in world prices. The report suggests that the best way to do this is to index contracts, in case of any substantial increase or drop in global prices during a certain period, and the government should contractually stipulate the division between both parties of the gains or losses.<sup>23</sup>

### Implications

Neither the ruling Frelimo party nor the Frelimo-dominated parliament supports Renamo's autonomy bill. However, the call for greater autonomy has created a controversial constitutional debate and exposed divisions within the ruling Frelimo party. Renamo's call for autonomy is more a negotiating tactic to extract concessions from the new Nyusi government rather than a realistic call for independence or greater autonomy for Renamo's main base of political support in central and northern Mozambique.

Renamo's alleged ceasefire violations will increase political tensions between Renamo and Frelimo, but is not expected to lead to a return to Renamo's low-level insurgency.

Anadarko's reserve estimate increase is a sign of the continued potential of Mozambique offshore gas sector, but due to the fall in international commodity prices the government needs to take more steps to reassure foreign direct investors that Mozambique remains an attractive jurisdiction despite the prevailing international trends. Enforcing future market contracts may help address investor concerns of price volatility risk.

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<sup>22</sup> Source, political analyst, Maputo

<sup>23</sup> [www.clubmofmozambique.com](http://www.clubmofmozambique.com)

### About Africa Risk Consulting:

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Please contact us by email [info@africariskconsulting.com](mailto:info@africariskconsulting.com) or call + 44 (0) 20 7078 4080

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