

AFRICA RISK CONSULTING

Mozambique Monthly Briefing October 2016

Mozambique Summary 13 October 2016

Unidentified gunmen assassinate a senior Resistencia Nacional Moçambicana (Renamo) official in an upscale area of Maputo. Renamo gunmen attack a Vale coal train along the Sena Railway line. President Filipe Nyusi (2015- present) sacks energy minister Pedro Couto. Italy-based ENI starts discussions with banks to finance the offshore Coral field gas development project and signs liquefied natural gas (LNG) off-take agreements. United States (US)-based Anadarko Petroleum announces it will make a final investment decision on its Rovuma Basin LNG project in 2017. Nyusi holds talks with International Monetary Fund (IMF) managing director Christine Lagarde. The IMF completes its Mozambique assessment mission.

Unidentified gunmen kill Renamo officials

Unidentified gunmen killed **Jeremias Pondeca**, a senior member of the opposition **Resistencia Nacional Moçambicana (Renamo)** peace talks negotiating team on 8 October in the upscale **Costa de Sol** area of **Maputo**.¹ This comes after unknown assailants killed **Armindo Antonio Nkutche**, a senior Renamo official, in **Tete Province** on 22 September. Another Renamo provincial delegate, **Felix Assumati Quembo**, condemned the assassination and accused the ruling **Frente de Libertação de Moçambique (Frelimo)** of responsibility, saying there was no reason to assassinate a member of the Renamo provincial delegations while peace talks are in progress.² Nkutche was also a member of the Tete provincial assembly, a pastor and a former deputy chairperson of the provincial assembly.³ Tete police commander **Matias Cutuberto** said they are investigating the assassination and have not laid any charges.⁴

Although it is unclear who was behind the two assassinations, their deaths will increase the mistrust between Renamo and the ruling Frelimo government and further delay an eventual final peace agreement.

*“... it is true that Renamo’s distrust towards the government authorities will deepen and [Renamo leader] **Afonso Dhlakama** will also increase his demands for security measures if he is to return to Maputo for a face-to-face meeting with president **Filipe Nyusi** [2015- present] ... and of course this will delay the solution for political crisis which has affected the country for the last three years.”⁵*

Pondeca, who was more senior in Renamo than Nkutche, was a member of the council of state, a consultative body that advises Nyusi, and was a member of the Renamo delegation on the joint commission between the government and Renamo set up to prepare a face-to-face meeting between Nyusi and Dhlakama.⁶

“Pondeca was gunned down on a Maputo beach in broad daylight, raising concerns over the future progress of the peace negotiations between Renamo and the government. Pondeca was

¹ Multiple sources: www.news24.com; www.bloomberg.com

² Multiple sources: www.allafrica.com; zitamar.com

³ Multiple sources: www.allafrica.com; zitamar.com

⁴ Multiple sources: www.allafrica.com; zitamar.com

⁵ Source, political analyst, Maputo.

⁶ www.allafrica.com

also a member of the council of state and before taking these functions, he had been one of the best known Renamo deputies between 1995 and 2004.”⁷

The **European Union (EU)** condemned Pondeca’s murder and said in a statement on 10 October that,

*“All **Mozambican** parties want peace in Mozambique and should commit to peace talks and refrain from any action that endangers a process supported by the Mozambican people.”⁸*

The EU also called on the Mozambican authorities to hold the perpetrators to account and for both opposition and governing parties to continue with the peace negotiations.⁹ The Maputo police are reported to have no leads in Pondeca’s killing, which Renamo claims was politically motivated.¹⁰

“The criminals who shot down Pondeca are still unidentified, however, whoever the persons, this is obviously to ensure that current talks between the government and Renamo fail.”¹¹

Pondeca was assassinated just a day after a local **Savana** newspaper published an interview with Dhlakama, in which he said that he had no interest in meeting Nyusi before an agreement is signed on Renamo appointing provincial governors (see *ARC Briefing Mozambique July-September 2016*).

“Dhlakama will surely see the assassination of his man just a day after his interview as a Frelimo response to the interview. Within the joint commission, Pondeca headed the Renamo team in the sub-commission tasked for drafting a new or amended legislation for decentralisation.”¹²

In his interview, Dhlakama appeared to have softened his demands and,

“... apparently was accepting that provincial governors can be elected, and that he would only appoint interim governors until new elections are held in 2019 ... some may see Pondeca’s assassination as a political crime with the objective of forcing Renamo to sign the peace agreement. However, this may also lead to an opposite effect, as Renamo may decide to radicalise its military actions, killing more civilians and Frelimo connected politicians.”¹³

Renamo gunmen attack coal train

Renamo gunmen attacked a coal train belonging to **Brazil-based Vale** on 6 October at **Mutuali in Malema District (Nampula Province)**. This is the third attack on a coal train on the **Sena Railway** line. Vale and other users are increasing their security along the route in response.¹⁴ Nampula provincial police did not report any casualties. However, the attack damaged the front of the train and the conductor was treated for minor injuries.

This is not the first attack against a Vale coal train. Renamo gunmen previously attacked a Vale coal train at **Becanta in Cheringoma District (Sofala Province)** on 25 July.¹⁵ The train was transporting coal from **Moatize** (Tete Province) to the port of **Beira**.¹⁶ A train conductor and security guard were slightly injured in the attack.¹⁷ On 7 June, Renamo gunmen attacked another Vale coal train, also in Cheringoma District.¹⁸ The attack was the first time Renamo has targeted a commercial train, since it stepped up hostile action this year (see previous *ARC Briefing Mozambique June-September 2016*).¹⁹

⁷ Source, political analyst, Maputo

⁸ www.bloomberg.com

⁹ www.africanews.com

¹⁰ www.africanews.com

¹¹ Source, foreign journalist working in Mozambique, Maputo

¹² Source, western political researcher, Maputo

¹³ Source, Mozambican journalist and researcher working for a private media organisation, Maputo

¹⁴ Lusa, 26 Jul 2016.

¹⁵ Lusa, 26 Jul 2016.

¹⁶ Lusa, 26 Jul 2016.

¹⁷ Lusa, 26 Jul 2016.

¹⁸ Multiple sources: Reuters, 7 Jun 2016; AIM, 7 Jun 2016.

¹⁹ Multiple sources: Reuters, 7 Jun 2016; AIM, 7 Jun 2016.

Nyusi sacks energy minister Pedro Couto

Nyusi sacked energy minister **Pedro Conceicao Couto** on 29 September.²⁰ The presidency did not publicly offer any reason for his sacking, however it comes a few months before **Italy**-based **ENI** is expected to make its final investment decision (FID) with regard to its large offshore **Coral** liquefied natural gas (LNG) project.²¹ However, ENI CEO **Claudio Descalzi** said Couto's sacking will not have an impact on its FID.²²

Couto has not left government completely.²³ Immediately after Nyusi sacked him, he appointed Couto head of the government-owned power producer **Hidroeléctrica de Cahora Bassa (HCB)**.²⁴ Couto will head HCB for an initial two years from 2016 to 2018.²⁵

Nyusi first appointed Couto as energy minister in January 2015.²⁶ Couto is a respected civil servant. He is a member of the governing council of **Eduardo Mondlane University** and the national council on higher education. He was the co-author of the government's 2001-2005 **Plan of Action for Reduction of Absolute Poverty (PARPA)**; he also led the team that created the proposal for Mozambique to join the **United States (US)**-led **Millennium Challenge Corporation (MCC)** and was part of the group that drafted the government's **2005-2010 Five Year Plan**.²⁷ Couto holds a master in economics from the **University of Glasgow (United Kingdom)** (1995).²⁸

ENI starts discussion with banks to finance offshore gas development

International media reported on 27 September that ENI has approached several banks with regard to financing the development of its offshore gas reserves in Mozambique.²⁹ The move is a significant step in getting the long-delayed development of ENI's offshore Coral LNG project in **Area 4** off the ground (see *ARC Briefing Mozambique August 2016*).³⁰ The Coral development will require billions of dollars and the banks will seek to support their financing proposals with sovereign guarantees from foreign governments such as those of the UK and **China**.³¹ Mozambique's country risk remains the most significant challenge to any financing agreement (see below).³² Banks are likely to respond within three to four weeks with terms of loans they are willing to provide, one of the last stages before ENI can make a final investment decision on the project. ENI said it hopes to announce an FID by the end of 2016.³³

ENI has also made progress with regard to long-term LNG off-take contracts, which will help ensure their financing discussions are successful.

*"ENI and its partners in Area 4 project had agreed with [UK-based] BP to buy all the natural gas produced from the Coral project in the next 20 years. The Coral project will be developed through an LNG floating facility with capacity for over 3.3 million tonnes per year. This was considered a milestone for the project and the concessionaires are hoping to approve the final investment decision (FID) still this year. Analysts say now the concessionaires are in better position to secure financial partners for the multibillion-dollar project."*³⁴

²⁰ Reuters, 29 Sept 2016.

²¹ Reuters, 29 Sept 2016.

²² www.engineeringnews.co.za

²³ mozambiqueiningpost.wordpress.com

²⁴ mozambiqueiningpost.wordpress.com

²⁵ mozambiqueiningpost.wordpress.com

²⁶ Reuters, 29 Sept 2016.

²⁷ mozambiqueiningpost.wordpress.com

²⁸ mozambiqueiningpost.wordpress.com

²⁹ Reuters, 27 Sept 2016.

³⁰ Reuters, 27 Sept 2016.

³¹ Reuters, 27 Sept 2016.

³² Reuters, 27 Sept 2016.

³³ Reuters, 27 Sept 2016.

³⁴ Source, political analyst, Maputo

However,

“Coral is not considered the most important LNG project for the Mozambicans, but is the most advanced one and it is positioning itself for being the first project to deliver LNG cargoes to the foreign markets. Mozambicans would rather choose the [US-based] Anadarko Petroleum’s Area 1 project [see below], as it is the one that will bring in more benefits for the country, in terms of job creation, national content, national industrialisation and domestic gas supply. But it seems Anadarko still has some steps ahead to close gas sales agreements for its project, making it difficult to move faster.”³⁵

After Anadarko Petroleum CEO **Al Walker** met Nyusi on 16 September in **Houston** (US), he indicated the company will make a final investment decision “by next year”³⁶ with regard to the development of the \$15 billion **Rovuma Basin** offshore gas discovery.³⁷ The FID, which Anadarko has repeatedly postponed, will help Mozambique’s struggling economy, which is suffering from low international commodity prices and the ongoing sovereign debt crisis (see *ARC Briefing Mozambique April-September 2016*).³⁸ Walker is optimistic about the timing of the FID. He claims that Anadarko could start producing LNG between 2022 and 2023, much later than the original 2019 estimates, which “might just be the right time”³⁹, as energy analysts believe that is when global economic growth will revive the demand for LNG.⁴⁰ Walker said Anadarko Petroleum has completed most of the important parts of the negotiations with the Mozambique government, including the resettlement of families in the **Afungi** peninsula where the company plans to build the LNG processing plant.⁴¹

Nyusi holds talks with IMF managing director Christine Lagarde

Nyusi held talks with IMF managing director **Christine Lagarde** on 15 September in **Washington D.C.** (US).⁴² The main objective of the meeting was to discuss the ongoing sovereign debt crisis (see *ARC Briefing Mozambique April-September 2016*) and to try to come to an understanding on what the Mozambique government needs to do to re-engage with the IMF.⁴³ IMF spokesperson **Gerry Rice** said,

“The IMF’s managing director Christine Lagarde welcomed the initial steps being taken on the agreed reforms and policies. She stressed the need for further policy action aimed at stabilising the economy and for more decisive efforts to improve transparency, in particular an international and independent audit of the companies that were funded under the loans disclosed in April 2016. The managing director welcomed that the president indicated the government of Mozambique’s willingness to work with the IMF on the terms of reference for this process – to be initiated by the office of the attorney general – and to implement it. To this end, an IMF staff team will visit Maputo next week.”⁴⁴

After his meeting with Lagarde, Nyusi said there is no “tug of war”⁴⁵ with the IMF over the ongoing sovereign debt crisis.⁴⁶ He confirmed that an independent audit of the previously undisclosed loans would take place, but that the office of the attorney general will handle the process.⁴⁷ At this point, Nyusi’s level of commitment to a further independent audit of Mozambique’s sovereign debt profile remains unclear.

³⁵ Source, political analyst, Maputo

³⁶ Multiple sources: www.houstonchronicle.com; AIM, 17 Sept 2016.

³⁷ Multiple sources: www.houstonchronicle.com; AIM, 17 Sept 2016.

³⁸ Multiple sources: www.houstonchronicle.com; AIM, 17 Sept 2016.

³⁹ Multiple sources: www.houstonchronicle.com; AIM, 17 Sept 2016.

⁴⁰ Multiple sources: www.houstonchronicle.com; AIM, 17 Sept 2016.

⁴¹ Multiple sources: www.houstonchronicle.com; AIM, 17 Sept 2016.

⁴² www.imf.org

⁴³ www.imf.org

⁴⁴ www.imf.org

⁴⁵ www.allafrica.com

⁴⁶ www.allafrica.com

⁴⁷ www.allafrica.com

The IMF concluded its visit to Mozambique on 29 September⁴⁸ to assess Mozambique's recent economic developments and also initiated discussions on the terms of reference for an international independent audit of state-owned entities **Empresa Moçambicana de Atum SA (Ematum)**, **Proindicus** and **Mozambique Asset Management (MAM)**, which were all linked to the sovereign debt scandal.⁴⁹ The objective of the audit is to strengthen transparency, governance, and accountability to avoid recurrence of non-disclosure of public debt.⁵⁰ With regard to the independent audit, IMF mission leader **Michel Lazare** said,

“The mission made considerable progress with the attorney general's office on the drafting of detailed terms of reference (TOR) for an international and independent audit of EMATUM, Proindicus and MAM. Drafting of the TOR is ongoing, and is expected to be completed soon. The authorities have requested the Fund to resume discussions on financial support as soon as possible. A solid track record of implementation of sound macroeconomic policies and an effective initiation of the audit process in the near term would help to create the conditions for a possible resumption of programme discussions with the IMF.”⁵¹

Implications

The assassination of Nkutche and Pondeca will increase the mistrust between Renamo and the Frelimo government, delay an eventual face-to-face meeting between Nyusi and Dhlakama, and moreover delay a final peace agreement. Renamo's third attack on a Vale coal train along the Sena Railway line will require companies using the line to increase security measures to ensure the safe transport of their coal from Tete to Beira.

Nyusi's sacking of energy minister Pedro Couto is not likely to impact the development of Mozambique's offshore LNG projects in the short term. ENI financing talks along with the signing of off-take agreements are an important step in getting the long-delayed Coral LNG development off the ground and will also 'kick start' Mozambique's LNG sector which is facing headwinds due to the low international commodity price environment.

Nyusi's meeting with Lagarde and the follow-up IMF mission to Mozambique indicates that the government understands the importance of an independent audit of Mozambique's sovereign debt as a condition for resumption of IMF lending, and the important role the independent sovereign debt audit will have on re-establishing donor and international banking community confidence.

⁴⁸ www.imf.org

⁴⁹ www.imf.org

⁵⁰ www.imf.org

⁵¹ www.imf.org

About Africa Risk Consulting:

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