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Main opposition party Resistência Nacional Moçambicana (Renamo) plans to choose a new leader to succeed its late leader, Afonso Dhlakama, at its national congress from 15-17 January. The government's legal counsel, Ian Clark from United Kingdom-based law firm, White & Case, states that ProIndicus and Mozambique Asset Management (MAM) debtholders will not receive a future share of gas revenues, unlike Eurobond creditors. Qatar's state-owned oil and gas company, Qatar Petroleum, agrees to purchase a 10% stake in three of United States-based oil giant ExxonMobil's offshore blocks in Mozambique.

Renamo to name new leader in January

Mozambique's main opposition party, **Resistência Nacional Moçambicana (Renamo)**, plans to choose a new president to succeed late leader, **Afonso Dhlakama**, at its national congress from 15-17 January.¹ Dhlakama's unexpected death in May caused uncertainty around the future of peace talks in Mozambique and left a leadership vacuum in Renamo (see *ARC Briefing Mozambique December 2018*). The new leader will become the head of the only major opposition party in Mozambique and will be tasked with winning battles in the legislature rather than on the battlefield. While Afonso Dhlakama led Renamo for nearly 40 years, the new leader is likely to have a shorter tenure, as Renamo's main goal in the next few years is to increase its seats in parliament, and perhaps even win the October 2019 general election, rather than win a civil war.

Renamo's national council met in November to decide on guidelines for the election of the new leader.² The council decided that any candidate must have Mozambican nationality, have held the position of secretary-general, had 15 years military experience, be a suitable member and be of recognized merit.³

Although there are not yet any formal candidates, there are a few possible contenders. These include current interim leader **Ossufo Momade**⁴ as well as **Manuel Bissopo**, the Renamo general-secretary, and **Elias Dhlakama**, the younger brother of Afonso Dhlakama.⁵ Momade appears to be the strongest candidate at the moment. Bissopo came in third place in the **Beira** mayoral elections, which shows his lack of popularity, while Dhlakama is virtually unknown and does not fulfil the criteria as he has never held any official position in Renamo.⁶ However, Renamo's national political committee spokesperson, **Alfredo Magumisse**, stated that

*"...the congress will deliberate on some exceptional situation. What I must say is that in legislative principles, there are exceptions, and therefore it may be that [Elias Dhlakama] comes under one of the exceptions."*⁷

According to a **Maputo**-based journalist,

¹ Observador, 30 Nov 2018

² Club of Mozambique, 13 Nov 2018

³ Observador, 30 Nov 2018

⁴ Club of Mozambique, 13 Nov 2018

⁵ AllAfrica, 13 Nov 2018

⁶ AllAfrica, 13 Nov 2018

⁷ Observador, 30 Nov 2018

"[There are] some in Renamo who are still loyal to Afonso and therefore think that Elias should take over. However, their best bet of doing better in 2019 is to keep Ossufo, who appears to be the most popular with Mozambicans."

Renamo's choice of leader may mean the difference between peace and further war. The peace deal is currently on hold (see *ARC Briefing Mozambique November 2018*) as Renamo disputes the municipal election results. Any future Renamo leader will need to placate supporters and re-start peace talks with the government, for peace to hold.

Government withholds access to future gas revenues from debtholders

The government's legal counsel, **Ian Clark** from **United Kingdom (UK)**-based law firm **White & Case**, stated on 8 December that **ProIndicus** and **Mozambique Asset Management (MAM)** debtholders will not receive a future share of gas revenues, unlike **Eurobond** creditors.⁸ The unfavourable restructuring terms may prolong the negotiations for the debt restructuring and extend Mozambique's debt crisis further. The government restructured its \$726m Eurobond in early November by promising investors future revenue from gas revenues (see *ARC Briefing Mozambique November 2018*). Clark noted that finance minister **Adriano Maleiane** had ruled out value recovery instruments (such as those which gave Eurobond creditors access to future gas revenues) for other loan holders.⁹ As a result, debtholders of the other two 'hidden' loans will not receive the same treatment. Clark stated that while gas revenues are off the table,

"...my expectation is that there will be similarities between the deals that the guaranteed lenders get – whether it is ProIndicus or MAM. It may be that the lenders will get loans for example, rather than bonds."¹⁰

President **Filipe Nyusi** (2015-present) will have to perform a tough political balancing act in 2019. On one hand, he will need to restructure the debts to prevent any further defaults. This will be more difficult, as creditors are hoping for access to Mozambique's gas revenues in return for a better debt deal. On the other hand, Nyusi will need to convince the opposition and civil society that paying the debts are in the best interests of Mozambique. Many argue that the debts should not be repaid because they are illegal, as prime minister **Carlos Agostinho do Rosario** claimed in April (see *ARC Briefing Mozambique April 2018*). Similarly, Renamo parliamentary leader **Ivone Soareso** argued the debts were illegal because the lending banks – **Switzerland**-based **Credit Suisse** and **Russia**-based **VTB** – did not

"...[try] to find out if this money is being used for the benefit of the people of this country, to contribute to the projects of this country, of if the money is being used for illegal purposes, for the private purposes of these leaders, or for inconceivable purposes".¹¹

Civil society groups, such as the Mozambique-based anti-corruption NGO, **Centro de Integridade Pública (CIP)** (centre for public integrity), have accused the government of "mortgaging the well-being of Mozambicans" to repay the debt¹² while the UK-based charity against unjust loans, the **Jubilee Debt** campaign, has argued that the new loan will cost Mozambique between \$1.7 and \$2.2 billion.¹³

The government is unlikely to completely stop paying the loans. Prime minister Agostinho stated to parliament in late November that the negotiations are important to strengthen confidence in Mozambique among the international financial markets:

⁸ IOL, 8 Dec 2018

⁹ IOL, 8 Dec 2018

¹⁰ IOL, 8 Dec 2018

¹¹ The African Exponent, 14 Nov 2018

¹² AllAfrica, 12 Nov 2018

¹³ AllAfrica, 14 Nov 2018

“We are creating conditions so that we can gain access to more resources to finance structuring actions for our economic development, and to assure the creditors that the country will honour its obligations.”¹⁴

Ultimately, Mozambique needs to restructure its debt, rather than continuing to default, so that it can access cheaper loans in the future to pay off its already high public debt. The **International Monetary Fund** forecasts public debt to rise to 130.3% of gross domestic product (GDP) by 2022, but predicts this will decline from then as natural gas revenues arrive in the treasury.¹⁵ The recently approved **2019 Plano Económico e Social (PES)** (2019 economic and social plan) leaves a \$1.48 billion deficit for the year, which will be covered by foreign grants, soft loans, and domestic high interest bearing treasury bonds.¹⁶ The budget also earmarks \$182m for foreign debt, though this does not include debts from ProIndicus or MAM as the government is waiting on negotiations to complete before assigning funding to repay these debts.¹⁷

Qatar Petroleum enters Mozambique’s oil and gas sector

Qatar’s state-owned oil and gas company, **Qatar Petroleum**, agreed on 8 December to purchase a 10% stake in three of **United States**-based oil giant **ExxonMobil’s** offshore blocks in Mozambique.¹⁸ Qatar’s entry into the sector illustrates the enormous potential present in Mozambique despite the government’s debt issues (see above). Mozambique has tried to emulate Qatar’s success as a liquefied natural gas (LNG) exporting nation, and Qatar’s entry into the market may help to push Mozambique’s sector this way. The blocks are A5-B in the **Angoche** basin and Z5-C and Z5-D in the **Zambezi** basin.¹⁹ ExxonMobil will retain majority share with a 50% stake in the blocks, while Mozambique state-owned oil company **Empresa Nacional de Hidrocarbonetos** and **Russian** state-controlled oil company, **Rosneft**, will each hold 20%.²⁰

Both basins are considered frontier and are still considered underexplored.²¹ However, this seems to be part of Qatar Petroleum’s business model. According to Qatar Petroleum CEO **Saad Sherida Al-Kaabi**, this is

“...very much in line with our growth strategy in Qatar Petroleum with a new country entry to prospective frontier basins with significant hydrocarbon resource potential.”²²

The deal is still subject to regulatory approval by Mozambique’s government.²³ However, the government is unlikely to reject the deal considering Qatar’s long experience in natural gas. Qatar Petroleum opened an office in Maputo in early November²⁴ and Mozambique may play a large part in Qatar’s plans to focus on LNG over oil, particularly after it withdrew its membership from the **Organisation of the Petroleum Exporting Countries (OPEC)** on 3 December to concentrate on gas exports.²⁵

¹⁴ Club of Mozambique, 21 Nov 2018

¹⁵ Political Analysis South Africa, 21 Nov 2018

¹⁶ Club of Mozambique, 6 Dec 2018

¹⁷ Club of Mozambique, 6 Dec 2018

¹⁸ Reuters, 8 Dec 2018

¹⁹ Reuters, 8 Dec 2018

²⁰ Reuters, 8 Dec 2018

²¹ The Peninsula Qatar, 8 Dec 2018

²² The Peninsula Qatar, 8 Dec 2018

²³ Reuters, 8 Dec 2018

²⁴ Africa Energy Intelligence, 13 Nov 2018

²⁵ CNBC, 3 Dec 2018

Planner

15-17 Jan 2019 **Gorongosa** Renamo National Congress

Oct 2019 General elections scheduled

Chronology

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

8 Dec 2018 **Maputo (Mozambique)** *Reuters*. **Qatar Petroleum** purchases a 10% stake in three of **United States (US)**-based **ExxonMobil**'s offshore blocks in **Mozambique**'s **Angoche** and **Zambezi** basins;

8 Dec 2018 **Maputo (Mozambique)** *IOL*. The government states that debt holders will not receive any shares in future offshore gas revenues, unlike the deal it made with **Eurobond** creditors;

7 Dec 2018 **Maputo (Mozambique)** *Sowetan Live*. The **Mozambique Bar Association** sues US-based gas company **Anadarko Petroleum** for allegedly illegally taking land from locals;

4 Dec 2018 **Cabo Delgado (Mozambique)** *EWN*. **Human Rights Watch** states that security forces fighting **Islamic** rebels in **Cabo Delgado** are guilty of serious abuses of human rights;

4 Dec 2018 **Maputo (Mozambique)** *Journal du Cameroun*. Prime minister **Carlos Agostinho do Rosario** forecasts 4.7% economic growth in 2019, driven by agriculture and mining;

3 Dec 2018 **Maputo (Mozambique)** *Herald*. Opposition party **Renamo** will elect a new leader in January;

3 Dec 2018 **Maputo (Mozambique)** *Journal du Cameroun*. Mineral resources and energy minister **Max Tonela** plans to set up a diamond certification secretariat to prevent export of blood diamonds;

2 Dec 2018 **Addis Ababa (Ethiopia)** *Journal du Cameroun*. **Ethiopian Airlines'** partnership airline in **Mozambique**, **Ethiopian Mozambique Airlines**, launches domestic flights in Mozambique;

29 Nov 2018 **Maputo (Mozambique)** *Siasat*. Foreign minister **Jose Condungua Antonio Pacheco** meets **India**'s external affairs minister, **Sushma Swaraj**, and pledges to increase trade relations;

25 Nov 2018 **Cabo Delgado (Mozambique)** *News24*. **Islamic** militants kill 12 people in attacks in northern **Mozambique**;

22 Nov 2018 **Maputo (Mozambique)** *Fitch*. **United States**-based ratings agency **Fitch** forecasts growth to increase from 3.5% in 2018 to 3.9% in 2019;

21 Nov 2018 **Maputo (Mozambique)** *Journal du Cameroun*. President **Filipe Nyusi** and **Kenya**'s President **Uhuru Kenyatta** sign a bilateral agreement to waive visa requirements for citizens visiting each country;

21 Nov 2018 **Maputo (Mozambique)** *Reuters*. The **International Monetary Fund** states it will help **Mozambique** to analyse its corruption challenges;

20 Nov 2018 **Maputo (Mozambique)** *MacauHub*. State-owned electricity company, **Electricidade de Moçambique** connects all 152 district capitals to the national electricity grid;

18 Nov 2018 **Cabo Delgado (Mozambique)** *Journal du Cameroun*. **Cabo Delgado** provincial government seeks \$50m from foreign partners for electrification of seven districts;

16 Nov 2018 **Maputo (Mozambique)** *S&P Global*. US-based oil company **Anadarko Petroleum** allocates \$200m for its LNG project in **Mozambique** ahead of a planned final investment decision in 2019;

13 Nov 2018 **Maputo (Mozambique)** *Journal du Cameroun*. The government launches a \$5 billion national electricity programme which seeks to guarantee electricity access for the entire population by 2030;

13 Nov 2018 **Maputo (Mozambique)** *Club of Mozambique*. Opposition party **Renamo** prepares to elect a new leader by the end of November;

12 Nov 2018 **London (UK)** *Reuters*. The **International Energy Agency** expects natural gas to overtake coal as second largest energy source after oil by 2030, which is positive news for African states like **Mozambique** and **Tanzania**;

10 Nov 2018 **Maputo (Mozambique)** *Journal du Cameroun*. Finance minister **Adriano Maleiane** states the 2019 general elections will cost \$245m to hold, double the cost of the 2014 elections;

10 Nov 2018 **Maputo (Mozambique)** *News24*. President **Filipe Nyusi** opens a \$785m **Chinese**-built bridge which connects **Maputo** to **South Africa** by road;

8 Nov 2018 **Maputo (Mozambique)** *Business Day*. The government awards two gas exploration licences to **South Africa** state-owned gas company **Sasol**;

7 Nov 2018 **Maputo (Mozambique)** *Journal du Cameroun*. The **European Union** provides \$10.2m to strengthen **Mozambique's** electoral processes;

6 Nov 2018 **Maputo (Mozambique)** *IOL*. **Mozambique** reaches an agreement to restructure \$276.5m **Eurobond** debt by extending maturities and sharing future LNG revenue.