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A reportedly militant wing of Mozambique's main opposition party, Resistência Nacional Moçambicana (Renamo), threatens to kill Renamo leader Ossofu Momade if he does not step down as leader. Mozambique's government reaches an agreement in principle to restructure its \$726.5m Eurobond debt, removing access to future natural gas revenue in terms of a November 2018 agreement. Islamic terrorist group, the Islamic State (previously known as the Islamic State in Syria (ISIS) or the Islamic State in the Levant (ISIL), claims responsibility for attacks in Cabo Delgado, the first group to take responsibility since attacks began in November 2017.

Military wing threatens to kill Renamo leader

A reportedly militant wing of **Mozambique's** main opposition party, **Resistência Nacional Moçambicana (Renamo)**, threatened to kill Renamo leader **Ossofu Momade** on 12 June if he did not step down as leader.¹ The threats, if true, may indicate in-fighting and potential conflict within the party structures, which would derail Renamo's campaign efforts ahead of the October general elections. **Mariano Nhongo Chissingue**, a spokesman for the militant wing, said

*"...we don't want Ossofu. If he doesn't want to go, we will kill him... he has destroyed our party."*²

Nhongo also said the group plans to end peace talks between Renamo and the ruling **Frente de Libertação Moçambique (Frelimo)**, focusing particularly on the disarmament of Renamo military members.³ Nhongo is a major-general in Frelimo's military wing and was an adviser and strategist for Renamo's former leader, **Afonso Dhlakama**.⁴ Dhlakama died in May 2018 and Renamo elected Momade as its new leader in January 2019 (see *ARC Briefing Mozambique* January 2019).

Renamo spokesman **Jose Manteigas** denied that there were divisions within Renamo and said that Nhongo had deserted the Renamo military wing and was therefore not speaking on behalf of Renamo's fighters:⁵

*"[Nhongo] deserted the Renamo forces, maybe this is what Mozambicans do not know. Therefore, it is not at the base of **Gorongosa** (which is where Renamo is currently based) and [he] unilaterally made that announcement."*⁶

Nhongo has given a deadline of 10 July for Momade to leave as the leader and to elect a new Renamo leader.⁷ While Nhongo has not given specific reasons for the revolt, it is likely to do with accusations in an unsigned letter addressed to Renamo leadership on 8 June that Momade is ordering summary executions of senior Renamo officers.⁸ The letter alleges that the current leadership is removing those who used to work with Dhlakama.⁹ The letter also claims that Renamo executed the head of military intelligence, Colonel **Josefa Isaias de Sousa**, among others, on 3 June on the direct order of

¹ eNCA, 14 Jun 2019

² eNCA, 14 Jun 2019

³ eNCA, 14 Jun 2019

⁴ Carta Mozambique, 14 Jun 2019

⁵ Carta Mozambique, 14 Jun 2019

⁶ Carta Mozambique, 14 Jun 2019

⁷ Infomoz, 17 Jun 2019

⁸ AllAfrica, 11 Jun 2019

⁹ AllAfrica, 11 Jun 2019

Momade.¹⁰ Manteigas also denied this accusation on 12 June, describing it as “*counter-information from our adversaries, exactly to divert out attention*”.¹¹ However, in response to requests for de Sousa to speak to the press, Manteigas said

“...that man is a soldier, and I don't have his contact here.”¹²

Renamo secretary-general **Andre Magibire** said on 15 June that the party would present de Sousa as “*very much alive and well*” in the near future, but did not give an exact date.¹³

Whether the reports of summary executions are true or not, the public threats of a senior Renamo military member will not help the party in the lead-up to the general elections. At best, it shows a split in the leadership structures regarding the peace process and, at worst, that the new Renamo leader is trying to consolidate his position by removing those still allied to Dhlakama. While it does not appear that the breakaway faction plans to start its own political party, which could split the Renamo vote, the conflict within the party may mean Renamo supporters will refuse to vote in October. This would decrease Renamo's chance to match its good performance in the October 2018 municipal elections (see *ARC Briefing Mozambique* October 2018). For Mozambique, the greater risk is that the peace process will end, leading to a return to civil war if the current Renamo leadership cannot regain control of its military forces.

Mozambique reaches new debt restructuring agreement

Mozambique's government has reached an agreement in principle with bondholders to restructure its \$726.5m **Eurobond** debt, removing bondholders' access to future natural gas revenue in terms of a November 2018 agreement (see *ARC Briefing Mozambique* November 2018).¹⁴ The new agreement is better for Mozambique, although risks remain to creditors over the government's ability to repay the debts and its willingness to pay after a court ruling on 3 June that part of the \$2 billion hidden debt scandal is unconstitutional. In terms of the new deal, the bondholders will lose access to any future natural gas revenue, but the coupon rate has risen and the maturity date shortens from 2033 to 2031.¹⁵

	New debt restructure deal	Old debt restructure deal
Access to future natural gas revenue	None	Up to \$500m in earnings
Coupon	5% annual interest to September 2023 and then 9% to maturity	5.875% (4% cash and 1.875% via capitalisation) to September 2023 and then 5.875% in cash only to maturity
Maturity	Five equal annual instalments from September 2029 to September 2033	Eight equal semi-annual instalments of \$112.5m from 2028 to 2031

Bondholders still need to approve the debt restructuring deal, though the main bondholders – which hold 60% of the Eurobond and include **United Kingdom (UK)-based Farallon Capital Europe LLP; United States-based Greylock Capital Management LLC; Switzerland-based Mangart Capital Advisors SA; and UK-based Pharo Management LLC** – have approved the deal.¹⁶ The government is

¹⁰ AllAfrica, 11 Jun 2019

¹¹ AllAfrica, 11 Jun 2019

¹² AllAfrica, 11 Jun 2019

¹³ Club of Mozambique, 17 Jun 2019

¹⁴ Bloomberg, 31 May 2019

¹⁵ Bloomberg, 31 May 2019

¹⁶ Bloomberg, 31 May 2019

hoping to complete the agreement by 1 September or sooner and will require 75% of bondholders to approve the deal.¹⁷

The market and institutions such as the **International Monetary Fund** have welcomed the new agreement, which is more advantageous to Mozambique as the country does not have to share any natural gas revenue.¹⁸ However, there is still a major risk to bondholders that the government will continue to default, or refuse to pay, other parts of the \$2 billion hidden debt. The constitutional council – the highest court in Mozambique – ruled on 3 June that the initial government-guaranteed \$850m loan from 2013 was illegal and therefore the government should not have to repay it.¹⁹ The constitutional council justified its decision by noting that,

“...no expenditure can be assumed, ordered or carried out without being duly registered in the budget of the approved state... which was not the case.”²⁰

The government agreed in 2016 to swap the debt, which was for state-owned fishing company **Empresa Moçambicana de Atum (Ematum)**, for a Eurobond, which it has struggled to repay and to which the new restructuring deal refers. A Mozambique-based civil society coalition, **Budget Monitoring Forum (BMF)**, has led the campaign against repaying the undisclosed loans and launched the case that reached the constitutional council.²¹ According to BMF spokesperson **Denise Namburete**,

“The Constitutional Court has the final decision. The government of Mozambique cannot appeal, therefore we are all curious to learn how and what the government of Mozambique will tell the creditors. It means that as a result and consequently all previous acts associated with this loan and its bonds must be considered illegal and therefore null and void. It also means that the agreement of principles drawn up by the Minister of Finance with the creditors should be considered void as well as all the guarantees granted by the government.”²²

Bondholders said that the constitutional court’s nullification would have no impact on their agreement, although there is still concern that its decision may invalidate the debt.²³ Bondholders will argue that while the initial debt is invalid, the Eurobond is a new agreement with the government, was approved by parliament, and is thus not related to the initial loan.²⁴ The government, aware of the pressures and still strongly in need of further credit lines prior to any natural gas revenue arriving in its treasury, will proceed with the new agreement, but may use this precedent to remove its obligations to pay the other two debts incurred during the hidden debt scandal.

Islamic State claims Cabo Delgado attacks as conflict continues

Islamic terrorist group, the **Islamic State (IS)** (previously known as the **Islamic State in Syria (ISIS)** or the **Islamic State in the Levant (ISIL)**), has claimed responsibility for attacks in **Cabo Delgado**, the first group to take responsibility since attacks began in November 2017.²⁵ Mozambique’s security forces deny that IS are behind the attacks but there are concerns that the affiliation with IS may increase the capacity of the group or groups involved in the attacks.

The IS reportedly issued a statement on 4 June stating that

*“...the soldiers of the Caliphate were able to repulse an attack by the Crusader Mozambican army in **Metubi** village, in the **Mocimboa** area. They clashed with them with a variety of weapons,*

¹⁷ Bloomberg, 31 May 2019

¹⁸ Bloomberg, 31 May 2019

¹⁹ Reuters, 4 Jun 2019

²⁰ Reuters, 4 Jun 2019

²¹ Reuters, 4 Jun 2019

²² Reuters, 4 Jun 2019

²³ Bloomberg, 5 Jun 2019

²⁴ Bloomberg, 5 Jun 2019

²⁵ DefenceWeb, 7 Jun 2019

killing and wounding a number of them. The mujahideen captured weapons, ammunition, and rockets as spoils.”²⁶

While pictures were shown of reported fighters, they were not confirmed to be in Mozambique and there are no confirmed attacks on 4 June. However, there was an offensive on 2 June in **Ntoto**, 30 kilometres south of **Mocimboa da Praia**, which was initially a **Forças Armadas de Defesa de Moçambique (FADM)** clearing operation, but resulted in a counter-attack in which there were several FADM casualties.²⁷

Attacks have continued in northern Mozambique since 2017, close to areas where companies are exploring and will be producing natural gas, despite the government’s efforts to improve security in the area. In late May, insurgents killed 16 people in an ambush on a truck carrying passengers and goods in the coastal district of **Macomia**.²⁸ The fatalities included three soldiers deployed on the truck to protect it from an attack.

Although this is the first reported IS attack in Mozambique, the group, which calls itself the **Islamic State Central Africa Province (ISCAP)**, has reportedly launched attacks in the **Democratic Republic of the Congo (DRC)** via the **Allied Democratic Forces (ADF)**. Islamic State’s role in these attacks is also disputed (see *ARC Briefing DRC* June 2019 for more information).

The allegations that IS is involved in the attacks raises the risk of more attacks in the region. The region is ideal for IS recruitment due to the high potential for economic gain from natural gas exploration alongside villages with low socio-economic development and poor service delivery by the government. The risk is further increased as other Islamic militant groups in **Africa**, such as those in the DRC, may migrate to the area and increase the capability of the actors involved in the attacks. There were reports on 13 June that DRC authorities arrested 12 Mozambique nationals in eastern DRC for receiving terrorist training at camps, with an eventual goal to return to northern Mozambique.²⁹ Finally, there may also be more funding funnelled to the groups due to their reported association with IS. Taken together, the likelihood of further attacks remains very high, as does a change in strategy to attack workers from foreign companies exploring for natural gas in the area.

Planner

Oct 2019 General elections scheduled
2031 Maturity date under new Eurobond debt restructure deal

Chronology

14 Jun 2019 **Maputo (Mozambique)** *eNCA*. A spokesman for a group purporting to be the military wing of opposition party **Renamo** claims it will kill Renamo leader **Ossufo Momade** if he does not step down;

13 Jun 2019 **Maputo (Mozambique)** *Fitch Solutions*. **United States**-based ratings agency **Fitch** says that **Mozambique**’s restructuring of its debt is a positive sign;

13 Jun 2019 **Maputo (Mozambique)** *Xinhua*. Military officers from opposition group **Renamo** announce they oppose the leadership of **Ossufo Momade** and will boycott the disarmament process;

12 Jun 2019 **Cabo Delgado (Mozambique)** *Journal du Cameroun*. Police chief **Bernardino Rafael** says that **Democratic Republic of the Congo (DRC)** security forces arrested 12

²⁶ DefenceWeb, 7 Jun 2019

²⁷ The Defence Post, 13 Jun 2019

²⁸ News24, 31 May 2019

²⁹ Diario de Noticias, 12 Jun 2019

Mozambique nationals who were undergoing training to commit attacks in northern Mozambique;

11 Jun 2019 **Maputo (Mozambique)** *Xinhua*. Main opposition party **Renamo** registers to participate in the October general elections;

10 Jun 2019 **Maputo (Mozambique)** *Public Finance International*. Donors pledge \$1.2 billion in cyclone aid, though it is still unclear whether the funds will actually be available;

6 Jun 2019 **Maputo (Mozambique)** *AllAfrica*. The ruling **Frelimo** party submits nomination papers for President **Filipe Nyusi** to run in the 15 October presidential elections;

5 Jun 2019 **Maputo (Mozambique)** *Rigzone*. **United States (US)**-based oil company **Anadarko Petroleum Corp** reaches an agreement with US-based **McDermott International**, **Italy**-based **Saipem**, and **Japan**-based **Chiyoda Corp** to develop the **Area 1** LNG project;

4 Jun 2019 **Maputo (Mozambique)** *Reuters*. The **Constitutional Council** declares that the \$850m **Eurobond** for tuna fishing company **Ematum** was illegal, which may hinder the recent debt restructuring agreement;

3 Jun 2019 **Beira (Mozambique)** *Earther*. Donors donate \$1.2 billion to **Mozambique's** recovery efforts after **Cyclone Idai** and **Cyclone Kenneth**, less than half of the \$3.2 billion needed to reconstruct;

31 May 2019 **Maputo (Mozambique)** *Bloomberg*. The government reaches an agreement in principle to restructure \$726.5m in Eurobonds;

30 May 2019 **Maputo (Mozambique)** *Time*. A government assessment says that **Mozambique** needs \$3.2 billion to recover from two tropical cyclones which hit in 2019;

29 May 2019 **Maputo (Mozambique)** *Upstream Online*. **Italy**-based oil major **Eni** farms in to three deep-water blocks in **Mozambique** with **United States**-based **ExxonMobil**;

29 May 2019 **Cabo Delgado Province (Mozambique)** *Sowetan*. **Islamist** groups continue attacks in **Cabo Delgado Province**, killing at least 22 people in the past month;

28 May 2019 **Maputo (Mozambique)** *AllAfrica*. The **Secretaria Técnica de Administração Eleitoral (STAE)** registers 72.28% of target figure of 7.34 million voters ahead of 15 October general election;

23 May 2019 **Maputo (Mozambique)** *Journal du Cameroun*. The **World Bank** approves an \$80m grant to support the **Energy for All Project**, which seeks to increase electricity access;

21 May 2019 **Maputo (Mozambique)** *EWN*. A **South African** court rules that former finance minister **Manuel Chang** can be extradited to **Mozambique** to face trial for corruption charges relating to the \$2 billion hidden debt scandal;

20 May 2019 **Maputo (Mozambique)** *Club of Mozambique*. Former **Credit Suisse Group AG** banker **Detelina Subeva** pleads guilty to charges that she helped launder money from the \$2 billion hidden debt scandal;

16 May 2019 **Maputo (Mozambique)** *Bloomberg*. The government says it expects to gain \$95 billion in revenue from two liquefied natural gas (LNG) projects over 25 years;

14 May 2019 **Maputo (Mozambique)** *Reuters*. The government approves the development plan of **United States**-based oil giant **ExxonMobil** for its LNG project;

13 May 2019 **Maputo (Mozambique)** *AllAfrica*. The **Instituto Nacional de Estatística** (national statistics institute) says inflation was just 0.29% in April and 1.93% for the first four months of 2019.