

AFRICA RISK CONSULTING

Monthly briefing - Mozambique

22 July 2014

Summary

The Frente de Libertação de Moçambique (Frelimo) government and main opposition and rebel group Resistencia Nacional Moçambicana (Renamo) reach a consensus on a future peace agreement. Both sides are now working on ironing out technical issues. Renamo leader Afonso Dhlakama submits final documentation for his presidential candidacy application to the Conselho Constitucional (CC) (Constitutional Council). The Autoridade Tributaria de Moçambique (ATM) (Mozambique tax authority) rules out a tax reduction for mining companies, but keeps the door open to exceptional reductions for specific cases. Renamo-linked violence declines substantially in July due to progress towards a final peace agreement.

1.1 Government and Renamo reach consensus on a peace agreement

The **Frente de Libertação de Moçambique (Frelimo)** government and main opposition and rebel group **Resistência Nacional Moçambicana (Renamo)** reached consensus on a potential peace deal on 16 July. The two sides reached agreement in secret talks rather than through the official discussions taking place at the **Joaquim Chissano Conference Centre (JCCC)** every Monday.¹ Their consensus cleared the way for Renamo leader **Afonso Dhlakama** to register as a presidential candidate in the October election.

“Both Renamo and the government are now willing to reach an agreement and end confrontation. Renamo wishes to stand for the election while Frelimo needs to rebuild its image ... So the two parties have been close to a so-called ‘final document’ on peace agreement in the last month or so. It is said they delayed signing of the final agreement due to some few specific technical details to be agreed between the parties.”²

The deal stipulates that security forces will release Renamo spokesperson **Antonio Muchanga** from detention. Security forces detained Muchanga in **Maputo** on 7 July after he left a meeting of the

¹ Source: consultant close to the parties involved in the talks between the government and Renamo delegations, Maputo.

² Source, political analyst, Maputo

Conselho de Estado (Council of State), an advisory body to president **Armando Emilio Guebuza** (2005 – present), of which Muchanga is a member.³ At the time, Muchanga’s detention was seen as a

*“... great setback to current peace efforts ... and many feared that his detention was likely to increase the gap between the parties”.*⁴

However, in reacting to Muchanga's detention Dhlakama promised not to retaliate. Reverend **Dinis Sengulane** of the **Anglican Church**, one of the national mediators in the official talks between the Frelimo government and Renamo delegations, said that Dhlakama

“must be afraid to come out from his hiding and that he must be courageous enough to appear. Whether he is or not, we shall see...”

The Frelimo government and Renamo came to an agreement despite Muchanga’s detention. A key part of the deal, other than Muchanga’s release, is that the government will grant protection to Dhlakama when he comes out of hiding.⁵ In addition security forces will not arrest Dhlakama for any crimes and will grant him a clear criminal record certificate, a requirement to complete his application to formalise his presidential candidacy (see below). On 17 July, Guebuza’s spokesperson **Edson Macuacua** said

*“The state will always shoulder its responsibilities for the security of the Renamo leader ... Hence the security of Dhlakama will never be in doubt. These guarantees have already been given to the Renamo leader, and so he knows about them.”*⁶

Both the government and Renamo are expected to make concessions on military issues (see *ARC Mozambique March 2014 Briefing*). Renamo may review its demand for parity in the **Forças Armadas de Defesa de Moçambique (FADM)** (armed forces), **Polícia da República de Moçambique (PRM)** (national police) and the **Serviço de Informações e Segurança do Estado (SISE)** (national intelligence services) leadership. In return, Renamo will cease hostilities.⁷

*“Frelimo and Renamo still need each other. In particular, Frelimo needs Renamo support to reduce the **Movimento Democrático de Moçambique [MDM]** power for winning the next elections.”*⁸

³ Source, political analyst, Maputo

⁴ Source, political analyst, Maputo

⁵ Source, political analyst, Maputo

⁶ AIM, 17 Jul 2014.

⁷ Source, political analyst, Maputo

⁸ Source, consultant close to the parties involved in the talks between the government and Renamo delegations, Maputo.

Following the deal between the Frelimo government and Renamo, the two delegations met officially for further discussion in an extraordinary round of talks on 18 July. Speaking to journalists after the meeting, both parties said “*there has been significant progress*”,⁹ without divulging details. However, on 21 July it emerged that the government had agreed to issue Dhlakama a clear criminal record certificate, a prerequisite which the **Conselho Constitucional** (Constitutional Council) requires in all presidential candidacy applications. The deadline for submission of full presidential candidacy applications was 21 July.

“It seems that now the parties are even closer [with the issuance of a clear criminal record certificate]. Renamo submitted its leader’s criminal record certificate to the Constitutional Council this Monday [21 July], and by doing so completed all the papers required by law to stand as a presidential candidate.”

Renamo had already unanimously elected Dhlakama as its presidential candidate in a meeting of the Renamo national council meeting held in **Beira** on 23 June.¹⁰ Dhlakama was not present as he remains in hiding somewhere in the **Gorongosa Mountains**.

Having presented the final completed nomination papers to the Conselho Constitucional, Renamo general secretary **Manuel Bissopo** said that the party had complied with all the formalities required for Dhlakama to stand in the October presidential election.¹¹ With Dhlakama now free to run, Guebuza’s spokesman Macuacua said,

*“Guebuza believes that the elections should strengthen a culture of peace, stability and the rule of law. Hence all political stakeholders should take part in the democratic process, and put themselves to the test of the popular vote...”*¹²

1.2 Still no clear answer for mining companies’ request on tax reduction

Rosario Fernandes, president of the **Autoridade Tributaria de Moçambique (ATM)** (Mozambique tax authority) handed down a verdict in early July that ruled out any possibility of tax reductions in the mining industry.¹³ In the run up to the government adopting a new mining code at the end of July, **Vale Mozambique** head **Pedro Gutemberg** recently appealed for a reduction in taxes and pointed to the company’s losses of \$43.3m in the first half of 2014. Vale paid taxes amounting to \$18.1m in the first quarter of this year and a total of \$56.7m for all of 2013. Vale Mozambique is dealing with high

⁹ Source, political analyst, Maputo

¹⁰ AIM, 24 Jun 2014.

¹¹ AIM, 13 Jul 2014.

¹² AIM, 17 Jul 2014.

¹³ Multiple sources: www.africaintelligence.com; Source, business analyst, Maputo.

logistics costs for transportation from its **Moatize** mine, several hundred kilometres from Beira port.¹⁴

“Fernandes’ decision follows a request to the government in June by the mining company Vale Mozambique to reduce the tax burden on the mining sector as it is affected by a drop in prices of coal on the international markets plus the high cost of transport to carry coal from Moatize district to the Port of Beira by train.”¹⁵

Fernandes said there is no plan to reduce mining production tax immediately. However, he admitted the possibility in the medium to long term¹⁶ and does not “*exclude the possibility of the government allowing an exceptional reduction after examining a specific producer’s situation*”.¹⁷ In a media interview after the announcement, Fernandes said there “*could be exceptional case-by-case*” reductions if the government decides to do so. However, a government official said there were discussions about a possible immediate reduction of the taxes for importing explosives used in the mining activity.¹⁸ The same government source indicated that in the near future the government may embark on discussions about the feasibility of reducing tax on production in the mining sector.¹⁹ A prominent journalist who reports on economic issues in Mozambique said,

“... the government was taken aback by the financial problems and was not expecting this kind of problem in the mining sector at the moment. ... the government should set a multilateral body specialised in looking at different issues affecting the mining sector.”²⁰

1.3 Renamo-linked violence declines in July

Renamo attacks have declined since early July. Renamo and the government are close to a final peace agreement (see above) “*...so I believe this is the main reason behind the reduction of attacks*”²¹. The two most recent attacks took place in late June and early July. On 21 June, Renamo gunmen attacked the village of **Matenje in Chiuta District (Tete Province)**. There were no deaths or injuries reported, but Renamo gunmen vandalised a police station, a health post and a government administration building.²² On 1 July Renamo gunmen ambushed two convoys along a 100km stretch of road between the **Save River** and the town of **Muxungue** in the central **Sofala Province**, a Renamo stronghold.

¹⁴ www.africaintelligence.com

¹⁵ Source, political analyst, Maputo

¹⁶ Source, political analyst, Maputo

¹⁷ www.africaintelligence.com

¹⁸ Source, government official working in the mineral resources ministry, Maputo

¹⁹ Source, prominent economic journalist specialised in covering mineral activities, Maputo

²⁰ Source, prominent economic journalist specialised in covering mineral activities, Maputo

²¹ Source, political analyst, Maputo

²² AIM, 23 Jun 2014.

Despite the convoys travelling under military escort, the Renamo gunmen injured two people in the ambushes. Renamo regularly conducts ambushes along this stretch of road. However, “... *there have not been any confrontations between the government forces and Renamo gunmen since early July*”.²³ The Sofala provincial police commander **Antonio Pelembe** said at a government meeting on 21 July that there were six deaths and 59 injuries due to Renamo attacks in June and pointed out that there was an escalation of confrontations in the stretch between Save River and Muxungue. However, Pelembe said Renamo attacks have declined this month and there are no reports of attacks in the last three weeks.²⁴

2 Implications

The progress towards a final peace agreement between the Frelimo government and Renamo is a positive sign and will lead to a reduction in violence, particularly in Renamo’s stronghold of central Sofala Province. The decline in Renamo attacks in July is an indication of this.

Both Frelimo and Renamo agree that successful presidential and parliamentary elections in October are in their mutual best interests. Frelimo needs Renamo’s election support to improve their image as a governing party that supports democratic inclusion. Moreover, Frelimo hopes Renamo’s participation will divide the opposition vote with the MDM in central Mozambique and help deliver a strong Frelimo victory. Finally, Renamo does not have the capacity or willingness to engage in full-scale guerilla war.

The ATM’s decision not to award tax breaks to the mining sector will have a negative impact on large mining companies in Mozambique in the short term. However, the door remains open for companies to pursue tax breaks in specific circumstance which may allow some operators to convince the government to reduce their tax burdens to ensure their operations remain financially viable in the medium and long term, despite lower international commodity prices.

²³ Source, political analyst, Maputo

²⁴ Source, political analyst, Maputo