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Unknown assailants shoot and seriously wound Manuel Bissopo, secretary general of the main opposition Resistencia Nacional Moçambicana (Renamo) party. Renamo leader Afonso Dhlakama reiterates plans to govern six northern provinces. The ruling Frente de Libertação de Moçambique (Frelimo) party elects new members of the party's secretariat. Most of the new appointee are President Filipe Nyusi (2015- present) loyalists. State-owned oil and gas company Empresa Nacional de Hidrocarbonetos (ENH) expects the final investment decision (FID) of construction of liquefied natural gas (LNG) facilities linked to the offshore Rovuma basin gas fields before the end of 2016. Standard & Poor's (S&P) reaffirms Mozambique's long and short-term sovereign credit rating, but warns of the possibility of a downgrade.

Renamo linked violence continues

A roadside attack on the secretary general of the main opposition **Resistencia Nacional Moçambicana (Renamo)** party will strain the already tense relationship between Renamo and the government. Unknown assailants shot and seriously wounded Renamo secretary general **Manuel Bissopo** on 20 January.¹ Bissopo's bodyguard died in the attack, which took place in the central **Beira** neighbourhood of **Ponta Gea**, approximately 500 metres from the **Sofala Provincial Police Command** and the office of provincial governor **Helena Taipo**.²

It remains unclear who the assailants were. A day after the attack on 21 January, the Sofala Provincial Police Command admitted that it had no clues as to the identity of attackers.³ Spokesperson **Daniel Macuacua** said the police are investigating, and the case is in the hands of a joint team from the **Criminal Investigation Police** and the provincial attorney's office.⁴

Renamo parliamentary leader **Ivone Soares**, blamed the ruling **Frente de Libertação de Moçambique (Frelimo)** party for all recent attacks and military ambushes on the Renamo leadership (see previous ARC Mozambique briefings).⁵ Frelimo denounced accusations that it was behind the attack on Bissopo and said the party "*plays by the rules of democracy*".⁶ **Mariano Matsinhe**, a senior Frelimo party member, said without providing any evidence, that members of Renamo were responsible for the attack on Bissopo.⁷

The attack will delay any potential peaceful settlement of political differences between the government and Renamo.⁸

"... there is no trust between the main political actors who are key for resolving the current political crisis and therefore the government will need a different approach and show by actions that it is really interested in making concessions to Renamo. The common understanding is that [Renamo leader] Afonso Dhlakama trusts neither President Filipe Nyusi [2015- present] nor the security and defence forces..."⁹

¹ AIM, 21 Jan 2016.

² AIM, 21 Jan 2016.

³ AIM, 22 Jan 2016.

⁴ AIM, 22 Jan 2016.

⁵ VOA, 22 Jan 2016.

⁶ www.africanews.com

⁷ VOA, 22 Jan 2016.

⁸ AIM, 21 Jan 2016.

⁹ Source, religious leader who helped mediate negotiations between Renamo and the government, Mozambique.

Prominent academic **Laurenço do Rosario**, who mediated in the now suspended dialogue between Renamo and the government, told reporters he feared the attack on Bissopo could worsen political tensions.¹⁰

*“Over recent months there has been a series of ruptures ... with the radicalisation of the positions of the Renamo leader Afonso Dhlakama, saying that in March he is going to govern by force [see below] ... nonetheless at certain intervals Dhlakama left room for dialogue but with the attack on Bissopo, positions will be radicalised even further.”*¹¹

Renamo spokesman **Antonio Muchanga** said,

*“We condemn the attempt to silence the opposition. It is a deliberate attack on democracy. We want those responsible for the shooting to be brought to justice.”*¹²

After the attack on Bissopo, Renamo gunmen attacked police officers at **Nzezo**, along the main north-south highway between **Mopeia** and **Morrumbala** districts (**Zambezia Province**) on 28 January. Neither Renamo nor the Mozambican authorities reported any casualties.

*“... the escalation of violence and the beginning of military attacks in the main road is natural and was quite predictable due to the escalation of violence in the last few months. Indeed, the country’s security situation deteriorated recently, with both Renamo and the government blaming each other for kidnappings and murdering of community leaders, some loyal to Renamo, others to Frelimo.”*¹³

The clash between Renamo and Mozambique’s security forces will negatively impact ongoing negotiations with the government, but is unlikely to result in a return to a full-scale insurgency. Clashes in Morrumbala were also reported in October 2015, where Renamo claimed earlier in 2015 that it had established a new training barracks (see *ARC Briefing Mozambique November 2015*).¹⁴

Renamo reiterates its threat to rule six northern provinces

Renamo leader Afonso Dhlakama has reiterated his plans to govern six northern provinces¹⁵ that have significant Renamo support.¹⁶ The threat is not a new one. Following Frelimo’s victory in the October 2014 presidential and parliamentary elections, Dhlakama called for a caretaker Frelimo-Renamo coalition government, and threatened to set up his own government in provinces where he won the most votes if Frelimo did not accept his proposal (see *ARC Briefing Mozambique December 2014*). The government has said in the past it will not allow Renamo to rule any provinces.¹⁷

*“The interior ministry reiterated, too, that the police will do everything they can to maintain peace and tranquility across all parts of the country.”*¹⁸

On 10 February, almost four months after he went into hiding, Dhlakama reappeared and reiterated his intention to govern six provinces where he claims victory in the October 2014 elections.¹⁹ Dhlakama said Renamo would use peaceful means, including demonstrations, to gain control.²⁰

*“Everything is peaceful, we need to make that clear, but I want to assure all Mozambicans that we will govern.”*²¹

In a media interview on 6 January Dhlakama said Renamo would govern the six provinces in March.²²

¹⁰ AIM, 22 Jan 2016.

¹¹ AIM, 22 Jan 2016.

¹² AIM, 22 Jan 2016.

¹³ Source, political analyst and academic lecturer, Mozambique

¹⁴ Multiple sources: Deutsche Welle, 30 Oct 2015; AIM, 2 Nov 2015.

¹⁵ Manica, Sofala, Tete, Zambezia, Nampula and Niassa

¹⁶ Lusa, 6 Jan 2016.

¹⁷ Lusa, 6 Jan 2016.

¹⁸ Source, political analyst, Mozambique

¹⁹ Source, political analyst, Mozambique

²⁰ Lusa, 6 Jan 2016.

²¹ Lusa, 6 Jan 2016.

²² Lusa, 6 Jan 2016.

“We will rule in March and no one will prevent it. The game is finished and we will no longer retreat. I swear by the soul of my mother.”²³

Dhlakama’s threats are more likely a negotiation tactic to extract concessions from the Nyusi government.²⁴ However, Dhlakama also said Renamo and its supporters will use force if government security forces try to move against the planned demonstrations.²⁵ Dhlakama also rejected any possible face-to-face meeting with Nyusi to solve the political crisis and accused the government of blocking all resolution initiatives.²⁶

“It will be to negotiate what? They did not approve any proposal and ridiculed the process. Patience has its limits, they violated all agreements.”²⁷

A cessation of hostilities agreement signed in September 2014 between the government and Renamo ended months of fighting in central Mozambique, but there are still skirmishes between security forces and Renamo gunmen (see above).²⁸

Frelimo appoints new secretariat

The ruling Frelimo party elected new members to the party’s secretariat during a meeting of its central committee on 5 February.²⁹ The new secretariat members are seen as Nyusi loyalists and will play an important role in stamping his authority on the internal workings of the ruling party.³⁰

“The party was restructured and Nyusi will now have broader powers within the party structure and more influence on the direction of the party.”³¹

The central committee did not challenge **Elisau Machava** as Frelimo’s secretary general and he maintains his position.³² The new members of Frelimo’s secretariat are:

- **Antonio Niquice** - mobilisation and propaganda secretary and Frelimo spokesperson;
- **Agostinho Trinta** - organisation, training and cadres secretary;
- **Esperanca Bias** - administration and finance secretary;
- **Chakil Aboobakar** - economic area secretary;
- **Helena Muando** - social organisations secretary;
- **Aida Libombo** - external affairs secretary;
- **Jose Tomo Pisco** - parliamentary and municipal affairs secretary.³³

There is some doubt as to whether the new Frelimo central committee appointees will have any ability to resolve the continuing conflict with Renamo.

“Analysts are not optimistic on the positive role of the new members in pressing Nyusi to solve this Renamo issue.”³⁴

Government to approve LNG final investment decisions before end of 2016

In a boost for Mozambique’s gas sector, the government has announced its intention to approve final investment decisions (FIDs) for construction of liquefied natural gas (LNG) facilities before the end of 2016. **Nilza Abdula**, a director of the state-owned oil and gas company, **Empresa Nacional de Hidrocarbonetos (ENH)**, said on 28 January that ENH expects to give the go-ahead for the final investment decisions of **United States**-based **Anadarko Petroleum** and **Italy**-based **ENI**’s construction of

²³ Lusa, 6 Jan 2016.

²⁴ Lusa, 6 Jan 2016.

²⁵ Lusa, 6 Jan 2016.

²⁶ Lusa, 6 Jan 2016.

²⁷ Lusa, 6 Jan 2016.

²⁸ Lusa, 6 Jan 2016.

²⁹ AIM, 5 Feb 2016.

³⁰ AIM, 5 Feb 2016.

³¹ Pt.rfi.fr

³² www.allafrica.com

³³ Unless otherwise noted - AIM, 7 Feb 2016.

³⁴ Source, political analyst, Mozambique.

their LNG facilities linked to the offshore **Rovuma Basin** gas fields before the end 2016.³⁵ The FID is an important milestone as it will remove uncertainty with regard to Anadarko and ENI's commitment to the development of Mozambique's gas sector in the current low international commodity price environment.³⁶ Adbula said the government would approve the FID by no later than 2016:

*"It is a very intense process and we have to follow international criteria."*³⁷

Anadarko aims to export its first LNG cargo from Mozambique in 2020.³⁸ However, analysts claim that 2020 is an unrealistic deadline.

*"Even if it went without a hitch, five years is probably not enough to finish this level of infrastructure."*³⁹

Initially, Mozambique expected to export its first LNG in 2018 but later changed the deadline to 2020.⁴⁰

*"Now Mozambique fears to fail to meet this target again, which will also result in delaying the benefits for the country ... also there is a growing concern that the project may be sold to other operators, but this is not good news as in the event of a new operator, the project may be delayed again, postponing the government's perspectives for promoting the country's industrialisation process."*⁴¹

The **International Monetary Fund (IMF)** projects that LNG production will reach peak level at 2028.⁴² The IMF forecast that investment in the Rovuma offshore gas fields will reach \$100 billion, and that government tax revenues will reach \$500 billion until 2045.⁴³

Standard & Poor's reaffirms sovereign rating but issues downgrade warning

International credit ratings agency **Standard & Poor's (S&P)** on 5 February reaffirmed Mozambique's long and short-term sovereign credit rating at B- and B respectively but warned of the possibility of a downgrade to selective default (SD).⁴⁴ S&P said,

*"Mozambique's external position is weak regarding both stocks and flows while the [Empresa Moçambicana de Atum SA] Ematum loan poses risks [to Mozambique's rating]. If the Ematum debt is restructured, that would raise the possibility of a ratings downgrade to SD."*⁴⁵

The government has not yet succeeded in restructuring the state-owned tuna fishing company Ematum bond (see previous ARC Mozambique briefings), and paid interest of approximately \$105m in September 2015.⁴⁶ The next payment falls due in March 2016. With regards to the Ematum debt, S&P said it would view the restructuring as *"tantamount to default"* if it included an exchange that S&P viewed as distressed, *"due for example to a reduction in principal or an extension of maturity dates"*.⁴⁷ An extended maturity date is one of the main options that finance minister **Adriano Maleiane** publicly noted in 2015 as a possible solution.⁴⁸

Despite the credit downgrade warning, donors remain committed to providing support to the government. Local media reported on 1 February that the **European Union (EU)** pledged \$281m in budget support to bolster public finances as the government faces an increasingly challenging fiscal environment due to the

³⁵ AIM, 23 Oct 2015.

³⁶ Reuters, 28 Jan 2016.

³⁷ Reuters, 28 Jan 2016.

³⁸ Reuters, 21 Oct 2015.

³⁹ Reuters, 21 Oct 2015.

⁴⁰ Source, business and political journalist, Mozambique

⁴¹ Source, business and political journalist, Mozambique

⁴² Bloomberg, 14 Jan 2016.

⁴³ Bloomberg, 14 Jan 2016.

⁴⁴ AIM, 8 Feb 2016.

⁴⁵ AIM, 8 Feb 2016.

⁴⁶ AIM, 8 Feb 2016.

⁴⁷ AIM, 8 Feb 2016.

⁴⁸ AIM, 8 Feb 2016.

drop in commodity prices and the decline in the metical (see previous ARC Mozambique briefings).⁴⁹ The agreement was reportedly signed between EU international development and cooperation commissioner **Neven Mimica** and Mozambique's foreign affairs and cooperation minister **Oldemiro Baloi** after a meeting with Nyusi in **Addis Ababa (Ethiopia)** on the sidelines of the **African Union** summit.⁵⁰

Implications

The attack on Bissopo will strain the already tense relationship between the government and Renamo and delay any potential peaceful settlement of their political differences. Dhlakama's reiteration of Renamo's plans to govern six northern provinces is most likely a negotiation tactic, as Renamo does not have the means to govern effectively. The government has said in the past it will not allow Renamo to rule any provinces.

The new Frelimo secretariat members are seen as Nyusi loyalists and will play an important role in stamping his authority on the internal workings of the ruling party, but may not succeed in solving the Renamo issue.

ENH's announcement of the final approval of the Rovuma Basin FID will remove uncertainty with regard to the development of Mozambique's offshore gas sector, but project delays remain a concern due to the low commodity price environment.

S&P's credit downgrade warning may increase the cost of borrowing and negatively impact the government's ability to restructure the Ematum loan, increasing the strain on the government's fiscal position.

Upcoming events

- Construction, Public Works and Energy International Fair (EXPO Construcao TEKTONICA Mocambique) in Maputo – 9 to 13 March

⁴⁹ AIM, 1 Feb 2016.

⁵⁰ AIM, 1 Feb 2016.

About Africa Risk Consulting:

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