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Mozambique

The ruling Frelimo party was re-elected in national elections on 15 October. The constitutional limit to two terms for a president in office forced Armando Guebuza to step down, although he remained head of the Frelimo party. Renamo agreed to a cease-fire in exchange for changes to the election law, but retained its militia. Renamo head Afonso Dhlakama gained 37% of the vote in the presidential elections, but claimed he had won and threatened a return to violence. Donor relations dominated foreign policy and the aid partners and agencies remained critically engaged in their relations with government. The run by international companies on stakes in the resource boom continued, mainly to secure access to the gas reservoirs.

Domestic Politics

An on-going small war and national elections dominated the political scene, with the **Renamo** opposition playing a key role in both. In January, it expanded its actions, and 70 to 100 Renamo fighters occupied a former base in Homoine district, Inhambane province. This was particularly provocative, because Homoine was the site of the worst Renamo massacre of the previous war when on 18 July 1987 a large Renamo force swept through the town, killing 424 people, including patients lying in hospital beds. The return of Renamo created panic, and hundreds of people fled. There was also heavy fighting around Gorongosa and further attacks took place on the main north-south N1 road, with small attacks in Nampula and Tete provinces.

Renamo demanded **mediators** in the stalled talks taking place each Monday, and the government eventually accepted as ‘observers’ two Mozambicans proposed by Renamo: the Anglican Bishop Dinis Sengulane and the prominent academic, Lourenco do Rosario. The group was later extended to five, and seemingly made a difference: on 19 February, agreement was reached to change the election laws and Renamo agreed to participate in the elections. Despite this agreement, fighting escalated, with attacks on both the N1 road and the railway, until Renamo declared a **cease-fire** on 8 May. In order to stand for president, Dhlakama had to be a registered voter, and registration was extended for ten days to accommodate him. On 8 May, election officials, accompanied by journalists, police and Renamo officials, went into dense bush near the former Renamo headquarters at Casa Banana in Gorongosa district, Sofala province, to register him.

In multiparty elections since 1994, there have been electoral commissions at national, provincial and district levels. Voters must register; each register book lists up to 800 voters and each polling station has one register book and is usually in a school classroom. The count is carried out in the polling station as soon as voting ended, and the result is posted on the classroom door, which allows parallel counts. There had always been some fraud, in the form of stuffing ballot boxes, spoiling ballot papers for the opposition, and changing results. In the most extreme case, the Constitutional Council had found high-level fraud in which the provincial and district electoral commissions in the **local elections** in Gurué, Zambézia, on 20 November 2013 had changed the results to give the victory to Frelimo. It ordered the election to be rerun on 8 February. The second opposition party, Mozambique Democratic Movement, Movimento Democrático de Moçambique (MDM), won, and its candidate for mayor gained 55% of the vote.

Renamo alleged massive fraud in all the elections, and had always argued that the system should be politicised to allow Renamo people to observe more closely. In effect, the government agreed to accept any changes to the **electoral system** that Renamo proposed to parliament, and the law was passed largely as presented. The **electoral reform** was agreed by parliament in February. For the first time in a Mozambican election, polling stations had party-nominated staff. Previous elections had had five staff in each polling station, recruited from public applications. The revised law called for four recruited staff and three party nominees, one each from Frelimo, Renamo and MDM. Renamo had boycotted the electoral process and had not taken up its seats on electoral commissions. The previous National Electoral Commission (CNE) had five Frelimo, two Renamo (not taken up), one MDM, three civil society, and two legal members. The changed CNE had five Frelimo, four Renamo, one MDM and seven civil society representatives. As part of an informal deal, the Muslim cleric Shaykh Abdul Carimo remained president (chair) and the additional civil society members were named by Renamo. There were similar changes at provincial and district levels. The elections were actually run by the Electoral Administration Technical Secretariat and there were 26 additional political appointments as deputy-directors general and department directors at national level, with similar changes at provincial and district level. In all, an additional 53,000 people were appointed by the three parties.

Despite the agreement and Dhlakama's registration, fighting resumed in June, with both government and Renamo military action, including daily Renamo attacks on the N1 road. Fighting suddenly stopped on 1 July. A **peace accord** was agreed in early August, and parliament approved a retrospective amnesty back-dated to March 2012 (to cover a shoot-out between police and Renamo in Nampula). It also covered three specific incidents in Sofala province in 2002, 2004 and 2011. A formal cease-fire was signed on 24 August, and on 27 August the army stopped providing military convoys on the N1. Dhlakama was escorted out of the bush at Gorongosa by five ambassadors and flown on 4 September to Maputo, where he met President Armando Guebuza the next day to confirm the cease-fire. Two weeks later, he launched his presidential election campaign.

Throughout the year, Renamo-government negotiations took place on the **demobilisation** of Renamo fighters and their integration into the Mozambican army, secret service and police. On 31 March, the government agreed to Renamo demands for an international group to oversee demobilisation and integration, with 70 Mozambican observers (half chosen by the government and half by Renamo) and 23 foreign observers (from Zimbabwe, South Africa, Botswana, Cape Verde, Kenya, Portugal, Italy, the UK and the USA). This was formalised in the peace accord as the Military Team of International Observers of the Cessation of Military Hostilities (EMOCHM – Equipa Militar de Observadores Internacionais da Cessação das Hostilidades Militares) and observers arrived at the end of September. However, Renamo had said on 14 April that it would demobilise only if there was a complete reorganisation and politicisation of the police and military, as in the electoral process, so that there were equal numbers of Renamo and Frelimo commanders. The government refused to accept this, and the talks remained deadlocked for the rest of the year; there was no demobilisation and Renamo retained its armed force. The EMOCHM military observers had nothing to do.

Meanwhile, **Frelimo** went through an unexpectedly fraught process to choose its **presidential candidate**. The Mozambican Constitution restricts presidents to two terms, and the party was not amenable to suggestions to amend the Constitution, so Armando Guebuza could not stand again. The Political Commission is the party's main decision-making body, but the larger Central Committee chooses the candidate. In December 2013, the Political Commission had selected three possible candidates, all close to Guebuza: Prime Minister Alberto Vaquina, Agriculture Minister Jose Pacheco and Defence Minister Filipe Nyusi. Party Secretary-General Filipe Paunde, a Guebuza loyalist, argued that only these three could be considered by the Central Committee, but this was opposed by the party old guard, led by Graça Machel and former president Joaquim Chissano, and backed by some opposed to Guebuza's increasingly autocratic tendencies. They forced two former prime ministers onto the list, Luisa Diogo and Aires Ali. At the 1 March Central Committee meeting, in the second round, Nyusi won with 135 votes but Diogo gained an unexpectedly high 61 votes.

Filipe Nyusi, a Maconde born in 1959 in Mueda, Cabo Delgado, was the only one of the candidates with a link to the war of liberation, having as a child attended the Frelimo school in Tunduru, Tanzania before Mozambican independence. He had completed his Mechanical Engineering degree in Czechoslovakia in 1990 and joined the northern railways (Caminhos de Ferro de Moçambique, CFM) in 1992 as assistant head of maintenance, moving up to be its executive director from 1995 to 2007. He had been a surprise appointment as defence minister in 2008.

The 15 October **national elections** were for president, national parliament, and ten provincial assemblies (Maputo city, the 11th province, already had a municipal assembly). During the electoral registration period – in 2013 for municipal elections and then 15 February to 14 May – 10,874,828 people registered, an estimated 89% of those who would be over the age of 18 years on polling day. Only three presidential candidates were able to provide the notarised signatures of 10,000 voters that qualified them to stand. Thirty parties put forward at least some candidates, but only the three main parties won seats. The 31 August to 12 October **electoral campaign** was more peaceful and witnessed fewer law violations than in the past, although there was some violence and harassment of the opposition in Gaza, Tete and Nampula provinces. Polling was well organised and peaceful, although Renamo attacked a few polling stations in Tete and Nampula.

The final **election results** were confirmed by the Constitutional Council on 29 December. They gave the presidential victory to Nyusi with 57% of the valid vote, followed by Dhlakama with 37%. The third candidate, Daviz Simango, mayor of Beira and leader of the MDM, obtained 6%. Simango had been expelled from Renamo in 2008 and had set up the MDM. Seats won in the national parliament (with seats in the 2010-2014 parliament in brackets) were distributed as follows: Frelimo 141 (191), Renamo 89 (51), and MDM 17 (8). Frelimo won majorities in five provincial assemblies and Renamo won majorities in three (Sofala, Tete and Zambézia), while in the remaining two (Manica and Nampula) the result was very close, with MDM holding the deciding vote.

National and international **observers** were highly critical of some parts of the process. The EU Observer Mission tempered its criticism by noting that “the parallel vote tabulation carried out by civil society organizations, considered serious and authentic, show results compatible” with those announced by the CNE and the Constitutional Council. In diplomatic language, the EU accepted that, whatever its complaints, Frelimo and Nyusi had won the election. But it also said that there had been an “uneven playing field”. On the one hand, Renamo still had an armed force. On the other, Frelimo had vastly more money and used state resources in the campaign; the state-owned television station ‘TVM’ and daily newspaper ‘Notîcias’ were biased in favour of Frelimo (in violation of the electoral law), while, according to the EU, the state-owned ‘Radio Moçambique’ was balanced.

On polling day and in the initial count at the polling stations, the Mozambique Political Process Bulletin used statistical tests to suggest that ballot box stuffing had taken place in 4% of polling station, and that some votes for the opposition had been wrongly invalidated in 4.5% of polling stations. The EU was highly critical of tabulation processes at district, provincial and national levels. Although the revised election law meant that there were Renamo people at all levels in the electoral process, they failed to notice misconduct and in some cases added their signatures to manifestly false reports. Renamo and MDM both rejected the results, despite their presence throughout the process and the broad confirmation by the parallel count. By the end of the year, Dhlakama was threatening a return to war unless he was given power in the five provinces he claimed to have won.

Frelimo **pressure on outspoken civil society groups** increased during the year. The two most important groups, the Public Integrity Centre (CIP, Centro de Integridade Pública) and the Social and Economic Studies Institute (IESE, Instituto de Estudos Sociais e Económicos) were both forced to move when their leases were cancelled. IESE was only given two weeks’ notice by the state property agency, APIE. In May the attorney-general’s office questioned the founder and first director of IESE, Carlos Nuno Castel-Branco, under the State Security Law, accusing him of insulting the head of state in a Facebook post.

Mozambique finally **revised legislation** fixed in the Portuguese Penal Code of 1886, which had remained in force since independence in 1975. By contrast, Portuguese legislators, after the fall of fascism in Lisbon, had removed many inappropriate articles from the Portuguese code, but they had remained in place in Mozambique, even though they were never enforced. The drafting was carried out largely in secret, and on 20 March, after the revisions were published, there was a protest march by 13 civil society organisations claiming that the revised law still violated the rights of women, children and other groups. The draft was then revised again and most of the clauses objected to were revised or removed.

Justice Minister Benvinda Levi said on 19 March that 44 **kidnappings** had been reported for 2013 (31 in Maputo, nine in Matola, three in Beira and one in Nampula). More than 30 kidnappings took place in 2014. On 8 May, Dinis Francisco Silica Nhavotso, the presiding judge of the criminal instruction section of the Maputo criminal court, was assassinated; he had been in charge of the investigating kidnappings in Maputo over the previous two years and had just confirmed the detention of a businessman accused of leading one of the kidnapping rings.

Two men convicted of killing investigative journalist Carlos Cardoso on 22 November 2000 were themselves victims of **assassinations**. Vincente Ramaya had been the brain behind the largest banking fraud in Mozambican history when $ 14 m had been syphoned out of the Mozambique Commercial Bank on the eve of its privatisation. Cardoso had been investigating the fraud and Ramaya had been convicted of planning both crimes. He had been released from prison in 2013, only to be gunned down on 21 February in Maputo close to where Cardoso had been killed. Ramaya had moved the money into accounts of the Abdul Satar family. Ayoob Satar, who had also been convicted of killing Cardoso and released in 2013, was gunned-down in front of a bank in Karachi (Pakistan) on 2 July.

The president of the parliamentary ethics commission, Ana Rita Sithole, said in March that all MPs had left their other jobs and were in conformity with the Public Probity Law, which bans MPs from earning another salary from the government or a public company. At the end of November, parliament unanimously passed a freedom of information law proposed by journalists, making public documents and archives open to anyone wishing to see them.

Foreign Affairs

The election year meant that the government's full attention was absorbed by domestic affairs. Hence bi- and multilateral relations were mainly confined to **interaction with donors**. The $ 850 m government guaranteed Eurobond agreed on 5 September 2013 for Ematum (National Tuna Company) continued to dominate donor relations. The bond issue was agreed in secret without parliamentary approval. Not all the investment was for fishing boats; some of the money was used for military patrol boats and there was no explanation for where other amounts went. In late 2013, several budget support donors had withheld $ 87 m, as the government revealed in its IMF 'Letter of intent', published on 29 May.

When donor grants were at their peak, 19 donors had given some aid directly as government **budget support**, but the number had now dropped to 13. The UK was the largest donor to end budget support. Pledges announced in early June were for only for $ 325 m, compared with $ 400 m in 2013, with the World Bank, the EU and Sweden making the largest commitments. The chair of what was still called the G19, Italian Ambassador Roberto Vellano, said the fall in budget support was a direct result of the Ematum bond, and that donors were demanding an "action plan on fiscal transparency".

The IMF led the **donor attack** on the government over Ematum. In a 9 May statement, Naoyuki Shinohara, deputy managing director and acting chair of the IMF Executive Board, pointed to the need for "public financial management reforms and the identification of fiscal risks" and stressed that Mozambique "requires a transparent project analysis, prioritization and selection process, and should be informed by the implications for the debt sustainability. Furthermore, strict monitoring of project implementation is essential to ensure value-for-money in the use of public resources." Budget support was meant to be a joint project, and targets were set for both donors and the government. On 16 May, it was announced that in 2013 budget support donors had met only four of their 33 targets, compared with 20 out of 33 met by the government, although this included only two of six agreed targets under 'good governance'. The full report on 2012 state spending was only presented to parliament on 2 April. It showed that **aid** had funded less than 30% of the state budget, compared with 60% two decades earlier. This was partly because donors had only given two-thirds of the $ 2.1 bn promised. Of this, $ 890 m had been in grants and $ 510 m in loans. To meet the shortfall, government had collected an extra $ 160 m in domestic revenue, and cut capital expenditure by 20%, with reduced spending on water, roads and agriculture.

Socioeconomic developments

Inflation stood at 1.93%, down from 3.54% in 2013. GDP growth was estimated at 7.5%. Tax collection was $ 4.87 bn, 4% above the target.

Gas developments continued, despite the falling prices of oil and gas. An IMF Working Paper 'Natural Gas, Public Investment and Debt Sustainability in Mozambique' said that the country had the largest proven natural gas reserves in Africa, and the eighth largest in the world. The gas fields, largely offshore in the northern Rovuma basin, contained at least 180 trillion cubic feet of gas, far more than anyone had expected. The World Bank's 'Generating Sustainable Wealth from Mozambique's Natural Resource Boom' predicted government hydrocarbon revenue of $ 9 bn per year by 2032, of which 90% would be from gas and 10% from coal. Two companies controlled the two major gas fields, ENI of Italy and Anadarko of the USA, and they planned to produce liquefied natural gas (LNG). The government wanted them to share an LNG plant, but the companies refused. On 25 November, the Council of Ministers approved separate LNG plants, a floating offshore plant for ENI and an onshore plant for Anadarko, costing an estimated $ 15 bn each. ENI was expected to start producing LNG in 2020 and Anadarko in 2021. In order to raise these amounts, the companies were required to have contracts to sell the gas, and in March Anadarko announced that two-thirds of its LNG had been pre-sold, mainly to Asian countries that wanted an assured supply. When exploration companies found large reserves of oil, gas or coal, they expected to make their profit by selling those reserves on to production companies, and with falling prices they also wanted to reduce their risk. Both companies sold parts of their areas during the year. ENI, the operator in Area 4, retained a 50% share. Its partners were the Chinese company CNPC (20%), and Kogas, Galp Energia and Mozambique's National Hydrocarbon Company ENH (each with 10%). Anadarko, the operator in Area 1, had a reduced 26.5% stake. Its co-owners were Mitsui of Japan (20%), ENH (15%), PTT of Thailand (8.5%), and three Indian companies ONGC Videsh (16%), Oil India (4%), and BPRL Ventures (10%). Mozambique imposed a 32% capital gains tax on these sales. Rosário Fernandes, president of the Tax Authority (Autoridade Tributária), said in March that $ 1.3 bn in capital gains tax had been collected from five transactions over the previous two years. During the rest of 2014, taxation on seven more transactions was expected to produce over $ 1 bn.

Port logistics for the gas industry in Cabo Delgado was to be handled by a Mozambican state company in partnership with a Nigerian-Italian logistics company. A new port was to be constructed in Palma, where Anadarko's gas liquification plant was to be built, and a second port in Pemba, adjoining the small one currently run by the state ports and railways company Portos e Caminhos de Ferro de Moçambique (CFM). Construction needed to start in 2015 so that work on the gas plant could begin that year. There was a complex chain of companies. In January, Ports of Cabo Delgado, Portos de Cabo Delgado (PCD), a state company owned half by CFM and half by the state oil and gas company Empresa Nacional de Hidrocarbonetos (ENH), was given the lease to run port and logistics terminals in Pemba and Palma. On 23 April, without going out to public tender, PCD granted the concession to ENHILS, which in turn was 51% owned by ENH Logistics (owned by ENH) and 49% by Orlean Invest, whose majority shareholder was the Italian billionaire Gabriele Volpi; a minority shareholder was Atiku Abubakar, the former vice president of Nigeria. He was publicly accused by the US Senate Permanent Sub-Committee on Investigations of using Orlean for money laundering.

Coal prices fell to one-third of their 2011 peak, making coal mining in Tete unprofitable because of the 600-1000 km distance by rail to the nearest port. Rio Tinto, which had bought the Benga mine from Riversdale for $ 3.8 bn in 2012, sold it to the Indian state company International Coal Ventures (ICVL) for just $ 50 m on 8 October. ICVL owned 65% of the mine and wanted coal for Indian state-owned steel and power companies. The remaining 35% was owned by the private Indian company Tata Steel. The Brazilian multinational Vale owned a coal mine at Moatize and 80% of the railway to Nacala and the new coal port there, which began operations at the end of 2014. On 8 December, Mitsui of Japan paid Vale $ 763 m for 15% of the mine and railway.

Fraudulent invoicing of trade by big foreign companies was causing an average of $ 187 m per year in **revenue losses**, according to a study funded by the Danish government. Two studies by CIP showed that political parties, including Frelimo, were misusing their tax exempt status on a grand scale. CIP reported that Frelimo had carried out large-scale duty-free imports for private companies, including 2,291 Chinese motorcycles and 7,009 Chinese freezers in two years. CIP also found that three small parties with no representatives in a local or national assembly or any visible political presence had imported 427 cars in just one year.

Campaigns by peasant organisations including the National Peasants Union (União Nacional de Camponeses) delayed the huge **ProSavana programme** in the Nacala corridor in Nampula and Niassa provinces. The joint Japanese-Brazilian programme had originally been set up to encourage large-scale Brazilian investment, but lack of land and peasant protests had forced a rethink. Only one project had gone ahead, Agromoz (Agribusiness de Moçambique), owned by Grupo Américo Amorim (one of the richest men in Portugal and the largest shareholder in Banco Único de Moçambique), Intelec Holdings (where ex-president Armando Guebuza was a major shareholder), and Pinesso (one of the big Brazilian soya companies), which was actually running the plantation. In November, there were complaints that more than 1,000 small farmers had lost their land and houses and had received compensation of less than $ 200 each. Some only produced their own food, but others had become small commercial farmers already producing soya for the market. There were also protests against the only large Chinese agricultural investment, a rice farm near Xai-Xai, Gaza.

In competing reports early in the year, the **World Bank** said Mozambique should spend more on education while the **IMF** said it should spend less. In its report 'Generating Sustainable Wealth from Mozambique's Natural Resource Boom', the World Bank said that anticipated gas and coal revenues should be used to "frontload public investments" and that Mozambique should increase spending on education, public health and infrastructure. But the IMF disagreed, and stressed that priority should be given to "containing the public wage bill". It accepted that "the lion share of the wage bill goes to education" and that there should be a reduction in salary increases and recruitment. The government effectively rejected this. In his 'Letter of Intent' to the IMF, Finance Minister Manuel Chang only committed to lowering the **wage bill** in the medium term. He retained a commitment to salary increases and to a resettlement subsidy for staff moving to rural areas. He said the government wage bill for the year would be 11% of GDP, which for the IMF was too high. In a 14 March statement, the head of an IMF mission to Mozambique, Doris Ross, repeated the call for "moderation in new hiring" and reducing the wage bill – effectively hiring fewer teachers and nurses. The use of the public sector wage bill as an indicator had a neo-liberal, **pro-privatisation** bias, because the more education and health care was provided by the private sector, the lower the public sector wage bill would be. Thus the IMF was not objecting to more education, just to more state education.

In two other reports published in May, the IMF pointed to the continued downward trend in **agricultural productivity** of cereals and vegetables, and concluded "that the main challenges facing Mozambique still relate to increasing production and productivity in the agriculture and fishery sectors". The Fund also pointed to the failure to create jobs and warned that "making growth more inclusive by generating more employment is clearly a major challenge". Naoyuki Shinohara underlined this in his 9 May statement, pointing to Mozambique's "2013 shortfall on priority spending" and noting that "making growth more inclusive will require generating more employment".

After negotiations in April, **minimum wages** were increased substantially, and for the first time most of the 15 minimum wages were near to, or more than, $ 100 per month. In an election year, the rural minimum wage was raised 26% to $ 105 per month. For the first time, the rural minimum wage was higher than the civil service minimum, now $ 99 and only increased by 10%. In US dollar terms, minimum wages had doubled since 2007, when they had been $ 43 for agriculture and $ 64 for non-agriculture. The minimum wage had been only $ 24 in 1996.

Mozambique ranked 25th of 45 countries in a Hunger and Nutrition Commitment Index published in June. It was said to have a low commitment to tackling **hunger and malnutrition**. Neighbouring Malawi ranked 3rd and Tanzania 7th, and both were said to have high commitment. Mozambique was criticised for low spending on health and agriculture, limited access to water and sanitation, and low registration of children. The index was created by the Institute of Development Studies, backed by British and Irish aid. In August, Deputy Minister for Women's Affairs and Social Welfare Virgilio Mateus admitted that 43% of Mozambican children were chronically malnourished. Child mortality remained high, but was falling. In 2003, 153 out of every 1,000 children born died before their fifth birthday; by 2011, this mortality rate had fallen to 97 per 1,000 live births.

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