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## Mozambique

The implication of having one of the world's largest gas fields is dawning on local elites and everyone wants a share. After 20 years of peace, Renamo launched new attacks on road traffic and the army. Doctors went on strike. The gas field is not yet producing, but \$624 m in capital gains taxes transformed relations with donors. Meanwhile, governing party Frelimo's main concerns were succession and the success of an opposition in local elections.

### Domestic politics

Opposition party **Renamo** unexpectedly resumed **military action**, ending 20 years of peace. Renamo signed a peace accord with the government in 1992 after a 15-year war. Renamo stood in 1994 multi-party elections and became the main opposition party. But with tacit acceptance of both government and the international community, it retained small military bases and an armed militia called a "presidential guard". Renamo had held up approval of electoral legislation, demanding politicisation of the electoral administration and an effective veto over election decisions. When legislation was passed at the last minute despite Renamo objections, Dhlakama announced a boycott of elections, including not taking up Renamo posts on elections commissions. Renamo Secretary-General Manuel Bissopo said on 29 March Renamo was prepared to go to war to prevent registration and elections. In the early morning of 3 April the riot police (Força de Intervenção Rápida, FIR) raided Renamo party headquarters in Muxungué, Sofala province, and Gondola, Manica province. There were hundreds of men in each place, including some former guerrillas from the 1977-92 war. Renamo said that the gatherings were legal political meetings, just two of many being held by the party to mobilise against elections. Government called them military training camps. Two days later Renamo guerrillas attacked a police post in Muxungué, killing four policemen, and the next days attacked traffic on the main north-south N1 road, killing three people.

**Talks between government and Renamo** resumed on 2 May. The government delegation was headed by José Pacheco, Agriculture Minister and a member of the Frelimo Political Commission. Renamo put four issues on the agenda: revising the electoral law to give Renamo "parity", reversing the marginalisation of Renamo in the military, the equitable distribution of wealth and a greater participation of Renamo members in the economy, and reversing the partyisation of the civil service. The second and third issues have long histories. When the peace accord was signed in 1992, Mozambique was a poor country with no mineral wealth; now with huge gas and coal reserves, there was much more money in circulation, and some elite Frelimo members had become relatively (and ostentatiously) wealthy. Frelimo membership seems important for contracts, loans, promotions, etc, while known opposition members seem to be excluded. Thus a key demand was for money, and increased status for Dhlakama and the Renamo military leadership. Speaking at a press conference on 10 April in Satunjira, Dhlakama said he authorised the April attacks only because formers guerrillas said they would kill him if he did not. Local media unofficially confirmed this. Renamo generals felt they had not gained from 20 years of peace and wanted status and money.

**Violence** resumed on 24 May near Satunjira, when there was a shoot-out between the military and the Renamo presidential guard. On 17 June Renamo attacked a military post and arms depot at Savana, along the main railway from the Tete coalmines to Beira port. Five government soldiers were killed and arms taken. On 19 June Renamo announced it would cut

road traffic on the main north-south N1 road, on the 100 km between Muxungué and the River Save. This was symbolically important because Renamo guerrillas had killed many people in that section of the road during the 1977-92 war. On 21 June Renamo attacked road traffic, killing two people. Government reintroduced military convoys along that section of road, and there were series of further ambushes in the rest of June, as well as military confrontations near Gorongosa.

The number of incidents decreased and Renamo had a meeting 29-31 July with 300 party militants in Satunjira. On the first day, Dhlakama made a very strong statement threatening to divide the country in half during the next week. After being contacted by ambassadors from the US and EU, he backed down. Renamo briefed the press that the ambassadors had promised Frelimo would make concessions, but other sources rejected this, and no concessions were offered at the next round of talks. **Fighting resumed** when Renamo attacked a police post in Muanza on 12 October, and there were gunfights between the two sides near Satunjira. On 21 October the army occupied the Satunjira base. Dhlakama and Bissopo escaped, but Armindo Milaco, a MP and Renamo head of mobilisation, was killed. Dhlakama's whereabouts were not disclosed, but he apparently retreated to another former base in the dense forest further up the mountain. The army moved on to occupy the Renamo base at nearby Maringué, which had remained as a Renamo military base since the end of the war in 1992, with the tacit acceptance of the government and local police.

Renamo stopped attending talks with the government and launched **more attacks** on the N1 south of Muxungué and around Gorongosa, and opened new fronts. Former guerrillas occupied a former base in northern Nampula province, and several times attacked the main road near Rapale, killing at least two people. Near the end of the year, guerrilla groups moved into Tete province near the border with Malawi, and into Homoine, Inhambane, which was the site of the worst Renamo massacre during the war. During the year, at least 60 people were killed and more than 300 injured in Renamo attacks and fighting between Renamo and the government.

The UN Special Rapporteur on extreme poverty and human rights, Magdalena Sepulveda, told a Maputo press conference 16 April that during her visit she witnessed very high standards of comfort in some areas of Maputo city, which contrasted dramatically with the harsh reality in bigger areas of the capital. 'If not addressed urgently, such marked **disparities and high levels of social exclusion** may pose a threat to social stability, as foreshadowed by protests in Maputo in recent years', she warned. In partial response, the government pushed the exchange rate against the South African Rand below 3 Meticaís to the Rand in June, and kept it below 3 for the rest of the year. Riots in the capital Maputo and the adjoining city of Matola in 2008 and 2010 were partly over the cost of living, and most food and consumer goods in Maputo and Matola are imported from South Africa, so keeping the exchange rate overvalued kept the cost of living down in the capital. But it also meant that local producers could not compete with imported chickens, pigs, tomatoes and other fruit and vegetables. With the metical this low, South Africa goods are cheaper than local products even in places like Chimoio, more than a thousand kilometres from South Africa.

**Demands to spread the wealth** became more frequent. The Forum of Demobilised Soldiers had several confrontations with riot police as it has attempted to demonstrate in front of the Prime Minister's Office to push its claim for a much higher pension for all demobilised troops. Doctors went on strike in May, complaining they were paid less than university professors and judges. The strike was mostly supported in Maputo and Nampula, and was abandoned by the doctors in June without gaining any concessions. Participants were penalised and leaders forced to retire. In November, hundreds of former secret police agents, as well as widows and children, demonstrated on 7 November in front of the office of President Armando Guebuza over what they say was the failure to pay their pensions.

There were also increasing reports of teachers and others being forced to donate to Frelimo, and of teachers linked to opposition parties being transferred to remote schools. The **Afrobarometer survey** carried out in late 2012 was published in late 2013. People in 34 African countries were asked how free they were to say what they think. A surprisingly high 33% in Mozambique said they were not free. This compares to only 7% in Tanzania, 13% in Malawi, and 16% in South Africa - and 53% in Zimbabwe and 57% in Swaziland. Mozambicans are optimistic about the future but rate the government badly on creating jobs: 47% of Mozambicans feel the government is managing the economy well, but 60% say it is doing badly improving the standard of living, 65% say it is doing badly creating jobs and 63% say it is failing to narrow the gap between rich and poor. And 25% said their living conditions were good, 43% neither good nor bad, and 32% bad - but 68% expected them to improve in the next year.

In mid-2013 President Armando Guebuza moved to take tighter control of the party. Leadership of the youth organisation (Organizacao da Juventude Mocambicana, OJM) and women's organisation (Organizacao das Mulheres Mocambicanas, OMM) were replaced with **Guebuza loyalists**. Edson Macuacua who had been marginalised as Frelimo party press spokesperson after the Frelimo Congress in 2012 when he was sharply criticised for his heavy handed treatment of the media, was unexpectedly named President Armando Guebuza's press spokesman and began a campaign to improve Guebuza's image. Rogério Siteo, the respected editor of the state-owned daily *Notícias*, was dismissed in August. His replacement was an explicitly political appointment, Jaime Langa, who had no journalistic experience but was a Frelimo *vereador* (local minister) in Matola. Subsequently the newspaper ran more articles praising Guebuza's achievements, and the main picture on the front page was usually of Guebuza. In September Jeremias Langa was dismissed as Editorial Director of *O Pais* and Director of Information of STV. *O Pais* is the main independent daily newspaper and STV the main independent TV station; both had come under pressure for being too critical of Frelimo.

Frelimo maintained its dominance in the 20 November **municipal elections**, winning the post of mayor and a majority in the municipal assembly in 49 of 53 municipalities. But the opposition MDM (Mozambique Democratic Movement) made its mark, winning three important cities - Nampula, Quelimane and Beira - and winning 30% of assembly seats nationally. In Maputo and Matola, MDM won 40% and 42% of the vote, compared to Renamo's 14% and 9% in the previous local elections of 2008. Renamo boycotted the election, but despite threats, did not try to disrupt registration or election. The results confirmed MDM as the main opposition party. Turnout was 46%, the same as 2008, but above the 28% of 2003. Registration from 25 May to 23 June hit 85% of the estimated number of voting age adults (who would be 18 years old on 20 November) in the 53 municipalities, which have about one quarter of the Mozambican population. (Mozambique remains predominantly rural, and government structures in rural areas are appointed by central government.) The Constitutional Council threw out the results of one city, Gurué, because of corruption within the electoral administration, and forced a rerun, scheduled for 8 February 2014.

A short list of three **presidential candidates** for the national election due on 15 October 2014 was announced by the Frelimo Political Commission on 11 December. The final choice was to be made by a meeting of the Central Committee in 2014. The three candidates were: Agriculture Minister José Pacheco, a member of the Frelimo Political Commission and Secretary of its Verification Committee; Alberto Vaquina, named Prime Minister in 2012 and also a member of the Political Commission; and Filipe Nyusi, named Defence Minister in 2008 and the only candidate to have a liberation war link, having attended the Frelimo school in Tunduru, Tanzania, before independence. The three men are all technicians from the centre and north and are between 55 and 58 years old.

## Foreign affairs

A totally unexpected government-guaranteed \$850 m European **bond issue** was sold on 5 September for six coastal patrol boats and 24 tuna fishing boats for a new Mozambican government fishing company Ematum (National Tuna Company), part-owned by the security services SISE. Within Mozambique, there had been no internal discussion, no parliamentary approval, and even many ministers did not know about the bond issue or the new company. The bond was oversubscribed and increased, because it was government backed and at above average interest rates. An IMF mission at the end of October was very angry with the bond issue and the final IMF statement was quite strong, saying the bond issue should 'be included in the 2014 budget and transparently reflected in the fiscal accounts'. Budget support donors were appalled, and several delayed disbursements. Government eventually agreed to include \$350 m of the bond, the part for military equipment, in the state budget.

The bond issue reflects a rapid change in **donor-government relations**. For more than two decades, Mozambique was heavily donor dependent, which gave the donors much more power than they have in many African countries. Mozambique - because one of the biggest recipients of general budget support, and the G-19 group of 19 budget support donors - became the main focus of policy dialogue with the government by 2009. But at the same time, the very large investments in coal and gas were coming on stream, along with the realisation that within five years donor funds would be less important. Government began to resist what it saw as donor arrogance. A group of budget support donors withheld aid for three months at the start of 2010 to enforce what they saw as "governance" improvement. Government resisted, and donors abandoned their strike. Since then donors have reduced budget support and have moved aid to support projects and individual ministries, where they feel they can wield more power. Foreign aid paid 51% of the state budget in 2010 but only 34% in 2013. There has been increased donor support for civil society, and more open support, especially from the United States, for openly anti-Frelimo groups. Donors again withheld budget support over Ematum, but government made few concessions. This marked the **end of donor power**. The United States Millennium Challenge Corporation (MCC) refused to grant a second aid package to Mozambique, surprising government ministers who said they expected renewal. MCC gave no reasons, but three factors seemed important: the Ematum bond further soured relations with the US, several MCC projects were not completed on time, and Mozambique refused to agree land privatisation which has been a condition of the first compact. President Guebuza visited on 24 July the Scottish oil city of Aberdeen, where he was trying to develop alternative **British support** for the oil and gas sector.

President Armando Guebuza completed his term as chair of the **SADC** on 18 August. Former Finance Minister Tomas Salomão stepped down as SADC Executive Secretary after two four-year terms. Mozambique turned down its opportunity to become the **AU** vice president from southern Africa for 2014 and thus chair in 2015, giving the post to Zimbabwe which was next in line, so Robert Mugabe will be AU chair in 2015. The AU chair takes office in January, which is when the new Mozambican president, elected in October 2014, will be sworn into office, and it seemed inappropriate for a new president to immediately become AU chair.

Relations with neighbouring **Malawi** improved greatly since Joyce Banda became Malawi's president. In April, President Guebuza visited Malawi and signed an agreement for a power interconnection to allow the sale of electricity to Malawi; the agreement had been blocked by the previous President Bingu wa Mutharika.

## **Socioeconomic developments**

2013 saw the worst **floods** since 2000. In January the Limpopo River flooded. The town of Chokwé was completely under water and the government provided humanitarian assistance

to 172,000 people in 62 accommodation centres; there was major damage to irrigation systems along the river. In September the government admitted that of 285,000 people forced to move after 2007 floods, the government had so far resettled only 163,000.

Minimum wages, negotiated annually, were announced in April, and remained constant at \$83 per month in agriculture, \$131 in manufacturing, and \$90 in public administration. There had been large increases in 2011 and 2012.

In July and August panic hit the suburbs of Matola and Maputo with people believing that there was a **crime** wave being committed by an organised group called G-20, group of 20, which attacked with gratuitous violence, including using a hot clothes iron to actually iron people's arms and burn them. A photo of a woman burned by an iron was circulated on mobile phones. Many people were afraid to sleep in their houses at night and community patrols and vigilante groups were set up in many neighbourhoods, who caught some thieves. The suburbs had high crime rates and were vulnerable because there were few lights and no police, and houses could be easily broken in to. In fact, G-20 did not exist, no one ever complained to the police about being attacked with a hot iron, and the photo circulated was actually a Brazilian woman attacked by her ex-husband, and had been taken from the web. But belief in the rumour and the resulting panic showed the widespread distrust of the ability of the government and police to protect people.

There has been a wave of **kidnappings** for ransom, including 44 in 2013 - 31 in Maputo, nine in Matola, three in Beira and one in Nampula; 20 prosecutions of alleged kidnapers began, with some convictions. Three policemen (including a member of the elite presidential guard) and three others were each sentenced to 16 years in jail for kidnapping six people in 2011 and 2012. Ransoms paid for three kidnapped people were revealed in court: \$165,000, \$160,000, and \$130,000. The Confederation of Mozambican Business Associations (CTA) in a 7 November statement talked of 'the climate of **tension and insecurity** generated by two phenomena that are happening at the same time - the attacks on civilian vehicles in the central zone, and the kidnappings in the major urban areas'. Some Asian-origin Mozambican and Portuguese business people temporarily left the country, or at least sent their families away. At the peak of the crisis, in late October and early November, regular Council of Ministers meetings were cancelled.

One of Mozambique's largest development projects became a hot potato. **ProSavana** is a joint Japanese-Brazilian programme in Nampula province, upper Zambézia, and western Niassa, initially based on a Japanese-funded programme in the Brazilian *cerrado* (savanna) in the 1970s that opened the area for very large corporate soya farms. ProSavana was very donor-driven and was specifically aimed at encouraging Brazilian companies to open giant farms in this area. But objections from both local communities and the Mozambican Ministry of Agriculture led to major changes, including paying more attention to support of local farmers. Agriculture Minister José Pacheco attended on 8 August a joint meeting between civil society and stakeholders of Japan, Brazil and Mozambique, organised through two Mozambican peasant organisations. It showed major divisions, with the ProSavana office producing a draft plan saying that one of the highest priorities was to promote large-scale investment. On the other side, Raimundo Matule, National Director of Economy in the Ministry of Agriculture, told the meeting that while the target of the Brazilian *cerrado* programme was to promote big industrial agriculture, the target in Mozambique was to support tiny, small, and medium farms.

Mozambique has exploitable **gas reserves** of more than 170 trillion cubic feet and more than \$25 bn is being spent to construct liquefied natural gas (LNG) production facilities, which could be second largest after Qatar. Exports will not begin until 2019 but large amounts of revenue are already coming in from capital gains tax on the sales of parts of the reserves by the original exploration companies, Anadarko of the US and ENI of Italy. Interest is largely from Asia, which wants assured gas supplies, and parts have been sold to Chinese, Thai,

Korean and Indian companies. Capital gains tax payments were \$624 m, 4% of GDP, estimated the IMF. Production of small amounts of **crude oil** began in an area linked to gas fields in Inhambane province; there was no evidence of oil anywhere else in Mozambique.

Mozambique has the fifth largest **coking coal reserves** in the world, and exports have begun. Two problems for the coal mining companies have been transport of the coal to seaports and the poor quality coal on top of the coking coal, which must be removed, but is not worth being exported. It is estimated that up to 100 m tonnes of coal per year could be exported, but the only **railway** connection, the 578 kilometre long Sena line to Beira port, can only carry 6.5 m tonnes. It is being expanded and will carry 15 m t/y from 2015. The Brazilian mining giant Vale is upgrading and constructing a 912-kilometre railway to Nacala port, which involves 136 kilometres of new railway in Malawi and the upgrading of existing lines. It is the longest of the rail lines and will open in late 2014; by 2017 it will be able to carry 18 m t/y. A third and totally new railway will follow the shortest route at 525 kilometres and take coal to a new offshore port at Macuze, just north of Quelimane. It has been the subject of controversy, because the Council of Ministers said the contract would go to the Frelimo owned company SPI. Transport minister Paulo Zucula went against this and held a public tender. Prime Minister Alberto Vaquina cancelled the tender. The Prime Minister of Thailand visited Mozambique in July and it was announced that the contract would be given, without tender, to Thai Moçambique Logistica, 60% owned by the Italian-Thai Development Company, 20% by the Mozambican state railway company CFM, and 20% by a new Zambezia Integrated Development Corridor company. Zucula was dismissed as minister, and the contract was signed 13 December. Construction will not start until 2016 and will take five years.

All of the Tete coalmines are dependent for their profitability on using the poorest quality thermal coal on site in coal-fired **power stations**. South Africa's Eskom is the obvious buyer because it has been short of power in recent years, but has declined to buy any more electricity from Mozambique. It is instead building two giant coal-fired power stations of its own, which when complete in 2018 will give South Africa surplus capacity. The first coal electricity contract was signed by Ncondezi Energy on 14 October; it is a 25-year "non-binding" agreement with the state-owned Electricidade de Mozambique (EdM) to buy all the electricity from a 300 MW integrated thermal coal mine and power plant. Power generation should begin in 2017. It was announced in August that a 150 MW gas-fired power station, the largest thermal power station so far built in the country, will be installed at Ressano Garcia, on the border between Mozambique and South Africa, in a partnership between EdM (51%) and the South African Sasol New Energy (49%) Its cost was estimated at \$250 m and it should come on stream in 2014. The gas will come from the Inhambane gas fields.

The Mozambican **anti-corruption** NGO, the Centre for Public Integrity (CIP) reported in November that although Mozambique has been exporting natural gas by pipeline to South Africa since 2004, the revenue earned by the Mozambican state from this activity is insignificant. CIP calculates that gas worth more than \$700 m crossed the border annually, but the Mozambican government's take is less than \$10 m a year. Similarly, Mozambique was deriving very little benefit from the mining of titanium-bearing heavy mineral sands deposits in the northern province of Nampula, thanks to the excessively favourable terms granted to the operator, the Irish company, Kenmare Resources, according to a study by CIP and the European Network on Debt and Development, published in December. Kenmare's deal with the government includes 'contract secrecy, no corporate taxes for one part of the company group, and a halving of corporate taxes for ten years for the other part, no payment of value added tax for several goods, and no import or export taxes'. Kenmare's only asset was the mine in Moma, which operated through a chain of eight companies, mostly registered in Mauritius and the British tax haven of Jersey. On 29 August, the director of the Central Office for the Fight against Corruption, Ana Maria Gemo, announced that it was investigating possible criminal practices at the Administrative Tribunal, the country's highest audit body.

An audit showed \$6 m in possible irregularities, including improper payments to suppliers and the hiring of Tribunal staff themselves as consultants. She also said that 599 cases against members of the public administration were processed by her office between January and June.

**Macroeconomic data** were generally favourable. Inflation was only 4.3%, compared to the 7.5% predicted. From January 2011, the Bank of Mozambique cut the base rate 12 times, from 16.5% to 8.25% at the end of 2013. This is the rate at which the Bank lends to commercial banks, the Facilidade Permanente de Cedência. But the average rate for commercial bank loans remained a very high 20.25%. Mozambique's foreign debt reached \$5.8 bn at the end of the year, which was 30% of GDP, according to Finance Minister Manuel Chang, and thus considered as sustainable. Most debt was long term (20-50 years) with low interest rates. GDP growth was 7%. Agricultural production in the 2102/13 season was 2.2 m tonnes of cereals and 800,000 tonnes of tubers (cassava, sweet potato and potato).

The number of pupils per teacher in Mozambican **primary schools** had fallen considerably over the past four years – but classes remained overcrowded. Education Minister Augusto Jone said on 21 August that in 2009 the pupil-teacher ratio was 76 to one. In 2013 that figure had fallen to 65 to one.

LAM Mozambique Airlines Flight 470 crashed on 29 November into the Bwabwata National Park in Namibia en route from Maputo to Luanda, Angola, killing all 33 people on board. The **plane crash** was the first fatal incident for the airline since 1970. Since 2011, all airlines certified in Mozambique have been banned from flying to Europe, and EU officials were banned from flying in Mozambican planes, because of deficiencies, not in the airlines themselves, but in the regulatory agency, the Mozambican Civil Aviation Institute (IACM). **Wild animals** killed 59 people in the first five months of 2013; crocodiles continued to be the most deadly animals, killing 47. In addition, snakes killed six people, elephants three, and hippopotami three.

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