

Chatham House Report

Alex Vines, Henry Thompson, Soren Kirk Jensen
and Elisabete Azevedo-Harman

Mozambique to 2018 Managers, Mediators and Magnates

Inclui o Sumário Executivo e Recomendações em Português



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The Royal Institute of
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Elisabete Azevedo-Harman | June 2015

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The Royal Institute of International Affairs

Chatham House
10 St James's Square
London SW1Y 4LE
T: +44 (0) 20 7957 5700
F: + 44 (0) 20 7957 5710
www.chathamhouse.org

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About the Authors

Alex Vines is director of Area Studies and International Law and head of the Africa Programme, Chatham House. He is also co-director of the African Studies Centre, Coventry University.

Henry Thompson is an independent consultant specializing in primary extractives and land tenure in post-conflict societies.

Soren Kirk Jensen is an associate fellow of the Africa Programme, Chatham House, and the owner of Independent Policy Analysis, a consultancy specializing in applied research on public financial management in resource-rich countries, particularly in lusophone Africa.

Elisabete Azevedo-Harman was a research fellow in the Africa Programme, Chatham House, 2013–15.

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Abbreviations and Acronyms

AIM	Agência de Informação de Moçambique
AU	African Union
Bcm	billion cubic metres
DUAT	Direito de Uso e Aproveitamento da Terra
EITI	Extractive Industries Transparency Initiative
EMOCHM	International Observer Military Team for the Cessation of Military Hostilities
FADM	Armed Forces for the Defence of Mozambique
FDGM	Forum of Demobilized Soldiers of the War of Mozambique
FDI	foreign direct investment
FIR	Police Rapid Intervention Force
FLS	Frontline States
FOMICRES	Mozambican Force for Crime Investigation and Social Reinsertion
FRELIMO	Mozambique Liberation Front
GDP	gross domestic product
ICVL	International Coal Ventures Private Limited
IFC	International Finance Corporation
IPAJ	Legal Aid Institute
iTC	Mozambique Community Land [Use] Fund
JSPL	Jindal Steel and Power Limited
LNG	liquefied natural gas
MDM	Democratic Movement of Mozambique
MIREM	Ministry of Mineral Resources and Energy
Mm ³	million cubic metres
MMBtu	million British thermal units
Mtpa	million tons per annum
ONUMOZ	United Nations Operation in Mozambique
PDD	Party for Peace, Democracy and Development
PFM	public financial management
PIC	Criminal Investigation Police
PRM	Police of the Republic of Mozambique
PSI	Policy Support Instrument
RENAMO	Mozambican National Resistance
R/P	reserves-to-production [ratio]
SADC	Southern African Development Community
SISE	State Information Security Service
TAE	Arms for Tools
Tcm	trillion cubic metres
UAE	United Arab Emirates
UD	Democratic Union
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
VPs	Voluntary Principles on Security and Human Rights

Executive Summary and Recommendations

Recent political developments in Mozambique mark the beginning of an important era. The party of government, the Mozambique Liberation Front (FRELIMO), is clearly anxious to back the newly elected head of state, Filipe Nyusi, who – following an initial tussle with his predecessor – is apparently keen to open a different style of dialogue with his rivals both among the country’s opposition parties and within FRELIMO itself. This apparent political maturing comes at a time when the prospect of significant economic transition is gaining ground.

Opportunities bring challenges

Foreign investors are committing to Mozambique, and this can only have been encouraged by recent political developments. Of particular note has been the arrival of the liquefied natural gas (LNG) industry in the context of some globally significant offshore gas finds in the north. Despite likely high development costs, the market for LNG is strong – especially in East Asia. Looking ahead by some years to 2020–25, LNG markets in the United States and Europe should also become more attractive, as domestic production winds down in the former and North Africa’s supply to Europe begins to dwindle. The long-term view of Mozambique’s LNG prospects is good – albeit more modest than spectacular. In addition to LNG development, there are significant investments under way in agribusiness (biofuels production), coal, non-hydrocarbon minerals and fisheries.

To a greater or lesser extent, however, such developments present challenges to local communities, and all have the potential to create serious conflict through the disaffection of local people. Investments have not yet reached a stage at which they are providing the government of Mozambique with taxes and its people with jobs. Many key poverty indicators for Mozambique have largely stagnated over the past decade, and the country’s infrastructure of roads, telecommunications, railways and electricity is inadequate to keep up with the demands of investors, let alone population growth. What infrastructure that is in place is vulnerable to crippling damage by floods over much of central and northern Mozambique.

The country is also prone to serious outbreaks of political violence. The fighting that took place between April 2013 and July 2014 showed clearly that the Mozambican National Resistance (RENAMO) movement was able to arm and conduct operations in the centre of the country. While its fighters may not be able to start a civil war or a war of secession, they made a political point: RENAMO is a force to be reckoned with. In addition to political violence, there is persistent unrest in Mozambique over social issues, with food prices or land claims at the centre of most protests and outbreaks of violence.

The challenges for Mozambique’s government are interlinked. The lack of large-scale revenues and the persistence of a constrained tax base mean that it does not have the funding required to develop the roads, railways and electrification that would hugely benefit internal and external trade, and bring investment into the business sector. Furthermore, the country’s economic growth is partly offset by the scale of the ‘youth bulge’ coming on to the labour market. Unless its young people are able to find employment, any real gains in alleviating Mozambique’s persistent poverty will be lost.

Cognizant of the political sensitivities involved, and working with international donors and investors, Mozambique’s policy-makers have to select and undertake a clear and unambiguous set of measures that balance the short-term needs of commercially competitive industries – which can provide a strong return for the government – with the social needs as well as the constitutional rights and expectations of the country’s citizens.

Recommendations

- Mozambique has already experienced dissent and conflict where land has been taken for new industrial or agro-industrial initiatives. The current laws governing changes of use require that investors and affected communities together achieve full, free and informed consent before land is handed over. In practice, processes concerned with community engagement and negotiation have been uneven. More work needs to be done with investing companies by providing clear benchmarks for social performance; and, at a policy level, for the government to enhance the role, capacity and authority of provincial authorities to act on behalf of communities and to ensure that standards of process are commensurate with the scale of impacts.
- Forming an independent producers’ association for the hydrocarbons sector could bring a range of benefits to the government, the private sector and civil society – particularly if this was funded not by the private sector but by a donor. The mandate of the producers’ association should be to lobby the government on issues that could otherwise detract from individual company interests. The government should use the association to ensure that all operators – including contractors – work on a level playing field. Civil society would be able to use such an association as a forum via which to raise their concerns.

- Land and landownership is an issue that is growing in scale as Mozambique develops. As much as any other, it can lead to outbreaks of violence. There is a broad range of donor-funded activities in the land registration sector – usually linked to agricultural development. By extending existing work on community land use and working to develop replicable skills and processes at provincial level, it is to be hoped that provincial administrations can find ways of reversing the trend whereby central government makes key decisions and ignores provincial priorities.
- Mozambique has an opportunity to gain ground in line with the IMF's ongoing Policy Support Instrument (which enables Mozambique to access IMF advice and support without a borrowing arrangement). The IMF has consistently emphasized rural infrastructure development in order to enhance agricultural productivity, along with the promotion of employment in the private sector. The development of a mechanism to address the large variation in resource rents would be very helpful in this respect. Specifically, the government could extend the current revenue-sharing mechanism in order to eliminate the discrepancies between budgeted and transferred revenues to Mozambique both within the year and from year to year.
- Mozambique should take advantage of the international labour pool to bring major projects online in a cost-effective and timely fashion, while in the mean time deliberately building national skills to replace international labour in the medium and long term.
- In the short term, and before LNG production comes on stream, coal will overtake aluminum as Mozambique's main export. Enhancing the civil responsibility of the country's mine operators is an obvious and attractive proposition. Thus, Mozambique's interest in the Voluntary Principles on Security and Human Rights is to be encouraged.
- Mozambique's obligations under the Extractive Industries Transparency Initiative (EITI) currently cover mining and hydrocarbons. While the performance of EITI in Mozambique is uneven, it is improving. EITI remains the best mechanism in place for ensuring that there is clarity and transparency in the primary extractives industry. Developing collaboration between the EITI international secretariat and the IMF in extending the classification of resource revenues in the latter's *Government Finance Statistics Manual 2014* could be applied to the Mozambican context.
- The G19 group of Mozambique's international partners should encourage amendment of the current electoral legislation to provide a clear system of complaints and appeals. If successful, they should also consider funding expert training for judges, electoral managing bodies and political parties on how to use these procedures. There is also a need to train electoral managing bodies in counting and tabulation procedures.
- If Mozambique's political leadership allows the legislature to become more assertive, a task-focused committee (including the relevant donors) should review past training exercises to see what worked and consider a new training programme on best practice in accountability for parliamentary committee members of all parties.
- War veterans – especially from RENAMO – have felt disadvantaged in trying to get access to state pensions. This has enhanced a sense of marginalization and frustration. Donors, in conjunction with the IMF, could assist the government in setting up a more accessible and efficient national pension system for veterans. The failed disarmament by RENAMO over the past two decades was a driver of the 2013–14 conflict. If relations between RENAMO and FRELIMO improve, international agencies should support faith groups and NGOs in disarmament and peacebuilding efforts, especially in Manica and Sofala provinces.

Bridging divides

The new executive must find ways to bridge a set of gaps: between the core and the periphery; between political parties – established and new; and between the interests of business and the stark fact that Mozambique remains extremely poor. In sharp contrast to Mozambique's successful elections, occasional breakdowns in security detract from the development agenda. Under the Nyusi government, there is a new imperative to address processes of reconciliation and disarmament, and its efforts should be warmly supported by the international community.

Balancing these competing interests, and maintaining both peace and a healthy dialogue among detractors, will not be easy. Expectations of resource rents run high, and are promoted by the investors themselves. Managing such expectations while shifting authority to the provinces is new political territory for FRELIMO. Its newly elected members of parliament will be busy, and will need guidance and support through the coming term. Despite the rhetoric, experience shows that – in general – good things happen slowly, while bad things can happen very fast.

Sumário Executivo e Recomendações

Os recentes desenvolvimentos políticos em Moçambique marcam o início de uma era importante. O partido no governo, a Frente de Libertação de Moçambique (FRELIMO), tem um empenho evidente em apoiar o recém-eleito chefe de estado Filipe Nyusi, o qual – após uma luta inicial com o seu antecessor – está aparentemente muito empenhado em estabelecer um estilo diferente de diálogo entre os seus adversários, tanto ao nível dos partidos da oposição como dentro da própria FRELIMO. Esta aparente maturação política acontece numa altura em que as perspectivas duma transição económica significativa estão a ganhar terreno.

As oportunidades trazem desafios

Os investidores estrangeiros estão comprometidos com o processo Moçambicano, o que apenas poderá ter sido encorajado pelos desenvolvimentos políticos recentes. Destaca-se a chegada da indústria do gás natural liquefeito (GNL) no contexto de descobertas globalmente significativas de gás offshore no Norte. Apesar dos prováveis custos altos de exploração, o Mercado do GNL é forte – sobretudo na Ásia Oriental. Perspectivando o futuro, abrangendo os anos 2020–25, os mercados do GNL dos Estados Unidos e da Europa deverão tornar-se mais atrativos a medida que a produção doméstica se for reduzindo nos Estados Unidos e o fornecimento do gás à Europa pela África do Norte começar a diminuir. A perspectiva a longo prazo do GNL de Moçambique é boa – embora mais modesta do que espectacular. Além do desenvolvimento do GNL, estão em curso investimentos significativos nos sectores agro-industrial (a produção de biocombustíveis), carvão, minerais não hidrocarbonetos e na pesca.

Contudo, estes desenvolvimentos, em maior ou menor medida, apresentam desafios às comunidades locais, e têm todos o potencial de criar conflitos sérios resultantes do descontentamento das populações locais. Os investimentos ainda não chegaram à fase de gerar impostos ao favor do governo de Moçambique bem como emprego para o seu povo. Muitos dos indicadores chave de pobreza em Moçambique estagnaram em grande parte durante a última década, e a infra-estrutura do país em estradas, telecomunicações, caminhos de ferro e electricidade é inadequada para acompanhar as necessidades dos investidores, e muito menos o crescimento populacional. A infra-estrutura existente é vulnerável aos danos debilitantes das inundações que assolam grandes áreas do centro e norte de Moçambique.

O país está também sujeito a surtos graves de violência política. Os conflitos que se registaram entre Abril 2013 e Julho de 2014 demonstraram claramente que o Movimento Resistência Nacional Moçambicana (RENAMO) foi capaz de se armar para conduzir operações no centro do país.

Embora os seus combatentes não fossem capazes de iniciar uma guerra civil ou uma guerra de secessão, criaram impacto político: a RENAMO é uma força a ter em conta. Além da violência política, existe uma agitação persistente ligada a questões sociais, que resulta em protestos e surtos de violência centrados nos preços de alimentos ou reivindicações sobre terras.

Os desafios do governo de Moçambique estão interligados. A falta de grandes fontes de receitas e a persistência de uma base de tributação limitada significam que o país não possui os recursos necessários para desenvolver estradas, caminhos de ferro e electrificação, o que traria enormes benefícios ao comércio interno e externo e investimentos no sector empresarial. Além disso, o crescimento económico do país é contrabalançado em parte pela dimensão da “explosão juvenil” que entra no mercado de trabalho. Se a juventude não conseguir emprego, quaisquer ganhos reais na redução da pobreza persistente de Moçambique serão perdidos.

Cientes das sensibilidades políticas envolvidas, e trabalhando com doadores e investidores internacionais, os decisores políticos de Moçambique devem seleccionar e implementar um conjunto claro e inequívoco de medidas que possa equilibrar as necessidades das indústrias comercialmente competitivas a curto prazo – proporcionando um alto nível de retorno ao governo – com as necessidades sociais bem como os direitos constitucionais e os anseios dos cidadãos do país.

Recomendações

- Moçambique já viveu dissidência e conflito quando a terra foi tomada para novas iniciativas industriais ou agro-industriais. As leis vigentes respeitantes à mudança na utilização requerem que os utilizadores e as comunidades afectadas trabalhem conjuntamente no sentido de conseguir um consentimento livre completo e informado antes da entrega da terra. Na prática, os processos ligados ao engajamento das comunidades e negociação têm sido desiguais. É necessário mais trabalho juntamente com as empresas investidoras através do estabelecimento de parâmetros de referência claros no que respeita ao seu desempenho social; e, ao nível da política, o governo deve reforçar o papel, capacidades e poder das autoridades provinciais em agir em nome das comunidades e assegurar que as normas de processo sejam proporcionais à escala dos impactos.
- A formação de uma associação de produtores independentes do sector de hidro carbonetos poderá trazer uma série de benefícios ao governo, sector privado e sociedade civil – sobretudo se não

for financiada pelo sector privado mas sim por um doador. O mandato da associação de produtores deverá ser um instrumento de lobby junto ao governo sobre questões que possam comprometer os interesses de empresas individuais. O governo deverá utilizar a associação para assegurar que todos os operadores – incluindo os empreiteiros – trabalhem em pé de igualdade. A sociedade civil poderá utilizar uma associação deste tipo como fórum para levantar as suas preocupações.

- A terra e a propriedade da terra são questões que assumem uma crescente importância à medida que o país se desenvolve. Estas podem conduzir a surtos de violência. Existe uma larga gama de actividades financiadas por doadores no sector do registo de terras – normalmente ligada ao desenvolvimento agrícola. Através do alargamento do trabalho já existente sobre o uso das terras comunais e um programa de desenvolvimento de competências replicáveis e processos ao nível provincial, espera-se que as administrações provinciais possam encontrar formas de inverter a tendência do governo central tomar decisões chave e ignorar as prioridades provinciais.
- Moçambique tem uma oportunidade de fazer progressos em linha com o actual Instrumento do FMI de Apoio às Políticas (o qual facilita o acesso de Moçambique a conselhos e apoio do FMI fora de qualquer acordo de empréstimo). O FMI tem insistido de forma consistente no desenvolvimento da infra-estrutura rural de modo a aumentar a produtividade agrícola, bem como a promoção de emprego no sector privado. O desenvolvimento de um mecanismo com vista a resolver a grande variação de renda proveniente de recursos seria muito útil neste contexto. Especificamente, o governo poderá estender o actual mecanismo de distribuição de receitas de modo a eliminar as discrepâncias entre as receitas orçamentadas e as receitas de facto transferidas para Moçambique, dentro do mesmo ano ou de ano para ano.
- Moçambique deverá tirar proveito da reserva internacional de mão-de-obra para tornar operacionais os grandes projetos de forma atempada e economicamente eficaz, ao mesmo tempo que desenvolve as competências nacionais para substituir a mão-de-obra internacional a medio e longo prazo.
- A curto prazo, e antes do arranque da produção do GNL, o carvão irá ultrapassar o alumínio como principal exportação de Moçambique. O aumento da responsabilidade civil dos operadores de minas

no país é uma proposta óbvia e atractiva. Assim o interesse de Moçambique nos Princípios Voluntários sobre Segurança e Direitos Humanos deverá ser incentivado.

- As obrigações de Moçambique ao abrigo da Iniciativa de Transparência das Indústrias Extractivas (EITI) cobrem actualmente mineração e hidrocarbonetos. Embora o desempenho da EITI em Moçambique seja inconsistente, está em vias de melhoramento. A EITI continua a ser o melhor mecanismo para assegurar que haja clareza e transparência na indústria primária extractiva. O desenvolvimento da colaboração entre o secretariado internacional da EITI e o FMI no alargamento da classificação das receitas de recursos no Manual de Estatísticas Financeiras para Governos 2014 do FMI poderá ser aplicado no contexto Moçambicano.
- O grupo G19 dos parceiros internacionais de Moçambique deverá incentivar a revisão da actual legislação eleitoral no sentido de fornecer um sistema claro de reclamações e recursos. No caso de ter êxito, deverá também considerar o financiamento de formação avançada para juizes, comissões eleitorais e partidos políticos sobre a utilização destes procedimentos. Existe também a necessidade de formação das comissões eleitorais na área de procedimentos de contagem e tabulação.
- Se a liderança política de Moçambique conceder à legislatura um papel mais afirmativo, um comité especial (incluindo os doadores relevantes) deverá rever as acções de formação anteriores para avaliar as que resultaram e conceber um novo programa de formação sobre a melhor prática no que respeita a responsabilização dos membros de comités parlamentares de todos os partidos.
- Veteranos de guerra – sobretudo da RENAMO – sentiram-se desfavorecidos nas suas tentativas de ter acesso às pensões do estado. Isto aumentou um sentimento de marginalização e frustração. Os doadores, conjuntamente com o FMI, poderão apoiar o governo no estabelecimento de um sistema nacional de pensões mais acessível e eficiente para veteranos. O desarmamento falhado da RENAMO durante as últimas duas décadas foi um factor decisivo na instigação do conflito 2013–2014. Se as relações entre a RENAMO e a FRELIMO melhorarem, as agências internacionais deverão apoiar os grupos religiosos e ONGs nos seus esforços na área de desarmamento e construção da paz, sobretudo nas províncias de Manica e Sofala.

Construindo pontes para a convergência

O novo executivo deve encontrar formas de construir pontes para a convergência: entre o centro e a periferia; entre partidos políticos – os estabelecidos e os novos; e entre os interesses empresariais e o facto flagrante de que Moçambique permanece extremamente pobre. Em contraste acentuado com a conclusão bem-sucedida das eleições em Moçambique, as falhas pontuais de segurança prejudicam a agenda de desenvolvimento. Ao abrigo do governo de Nyusi, há um novo imperativo que é o de abordar os processos de reconciliação e desarmamento, e estes esforços deveriam ser apoiados calorosamente pela comunidade internacional.

Não será fácil conseguir o equilíbrio entre estes interesses opostos, a manutenção da paz e um debate saudável entre os detractores. As expectativas de rendas de recursos são elevadas, e são promovidas pelos próprios investidores. A gestão de tais expectativas e ao mesmo tempo a devolução de autoridade às províncias é uma área política nova para a FRELIMO. Os seus recém-eleitos membros do parlamento estão atarefados, e necessitarão de orientação e apoio durante o próximo termo do mandato. Apesar da retórica, a experiência ensina que – em geral – as coisas boas acontecem lentamente enquanto que as coisas más podem acontecer muito rapidamente.



1. Introduction

The October 2014 elections in Mozambique, flawed though they were, marked the start of a significant new political chapter for the country, which in 2015 celebrates 40 years of independence from Portuguese colonial rule. The new head of state, Filipe Nyusi, breaks the mould of past Mozambique Liberation Front (FRELIMO) presidents, and his position has recently been strengthened by the handover of the party chairmanship from former president Armando Guebuza to him in March this year. President Nyusi has rapidly taken steps to engage afresh with the leadership of the opposition Mozambican National Resistance (RENAMO). In a very diverse country, such political confidence deserves support from the international community. While there may be sceptics with regard to the extent of real change, recent political developments in Mozambique offer positive signals to foreign investors.

Over the past two decades, Mozambique's economy has grown at an average annual rate of over 7 per cent, but this has, as yet, brought minimal benefit to the great majority of the country's citizens. This contradiction appears precarious and possibly dangerous, with income disparity having risen exponentially.¹ The conundrum is that, while it has been buoyant for the past five years, foreign investment has not yet translated into revenue levels that would enable Mozambique to develop the infrastructure it needs to broaden its tax base and generate employment.² Mozambique appears to be moving out of economic balance, and is now faced with shifts that could either greatly worsen this situation or provide the basis for a lasting solution.³ The challenges for governance remain stark.

In view of these challenges, much has been made of the country's anticipated windfall from liquefied natural gas (LNG), which has been enthusiastically talked up by some foreign investing companies as well as by Mozambican politicians.⁴ When Mozambique's gas comes online, in 2019 or shortly afterwards, revenues from hydrocarbons have the potential to enable the country to pay its way out of poverty. However, revenue levels and the real horizon for such an outcome are in no small part affected by international commodity prices. Levels of investment and revenues will be constrained while oil prices remain low, but the current window means that Mozambique can buy time and plan for the future.

The urban transport riots of February 2008 and bread riots of September 2010 (see Box 4) and the rural/provincial political violence of 2013 and 2014 (see Box 2) show that 20 years after the Rome Peace Accords that ended the country's civil war, Mozambique is still worryingly prone to outbreaks of violent social and political conflict. While major armed conflict (as opposed to protest) is politically driven, the recent unrest can be seen as both a result and a driver of the country's development problems. There is a complex and problematic set of links between, for instance, the maintenance of food subsidies,⁵ the lack of internal infrastructure and communications, the need to diversify the economy away from subsistence agriculture, and the government's current dependency on foreign aid. Sets of different issues need to be addressed simultaneously through careful policy and planning shifts.

Even with the resource rents from coal and other hydrocarbons, the current consensus among economic analysts and political observers is that Mozambique may not gain significant traction in its development agenda until the mid-2020s.⁶ Over the next five years, meanwhile, the actions of the newly elected political leadership under President Nyusi, a northerner from Cabo Delgado province, may determine the success or failure of this unique opportunity for economic as well as political transformation.

This report draws on the large volume of economic and social reporting that describes Mozambique over the last five-to-10 years, and looks forward to 2018–20 with particular reference to the following three factors:

- The impact that revenues from the primary extractives may have on the political economy;
- Imbalance in the distribution of development over the country;
- The current trajectory of polarization in Mozambican governance.

¹ Bertelsmann Stiftung (2012), 'BTI 2012 – Mozambique Country Report' (Gütersloh: Bertelsmann Stiftung), p. 15.

² See the summary of the meeting on 'Resource Governance and Rising Challenges in Mozambique: The Role of the National Assembly' at Chatham House on 10 March 2015, with contributions from parliamentarians from FRELIMO, RENAMO and MDM, <http://www.chathamhouse.org/event/resource-governance-and-rising-challenges-mozambique-role-national-assembly-0>.

³ Virtanen, Pekka (July–December 2015), 'Democracy, poverty and civil society in Mozambique', *Africa Review*, Vol. 7, No.2, pp. 89–103.

⁴ See Armando Emilio Guebuza, 'Harnessing Mozambique's Mineral Wealth', speech at Chatham House, 1 May 2012, <http://www.chathamhouse.org/publications/papers/view/183247>; and Luisa Diogo, 'Social Reform and Economic Transformation in Mozambique', speech at Chatham House, 11 November 2013, <http://www.chathamhouse.org/events/view/195259>.

⁵ Bread is sold under a 17.5 per cent subsidy.

⁶ UK Department for International Development (DFID) (December 2014), 'Operational Plan 2011–2016: Mozambique', p. 6.

2. Catalysts of Change

The pattern of *organized and armed* conflict in Mozambique is highly political, and reflects a political settlement characterized by a pervasive ‘winner takes all’ approach to the political economy. The body politic may be inclusive in theory, but it is hegemonic in practice.

After pre-election fighting between RENAMO and government forces, mostly in Sofala province, there was an acceptance at the end of 2013 that, first, RENAMO cannot ignite a new civil war, and thus that the violence was more a lethal protest than a bid for controlling territory; and, second, the political arm of RENAMO – based in Maputo – did not fully endorse the violence.⁷ RENAMO did ultimately agree to a ceasefire agreement in August 2014, and in the following month its leader, Afonso Dhlakama, came out of the bush to sign a new peace deal in Maputo.

In December 2014, shortly before the expiry of his presidential mandate, Armando Guebuza signed a bill that would grant the leader of the majority opposition party (i.e. Dhlakama) a secure post as leader of the opposition, with support staff and a large salary. The RENAMO leader declined this offer, and in early 2015 went on to make bullish statements about secession.⁸ This should be viewed in the context of RENAMO, buoyed by its recent improved electoral performance, seeking to capitalize and extract additional elite bargains. Thus, there was a degree of political theatre in this – manoeuvring for credibility and applying muscle – but this reflected not merely a grievance over political participation; rather, it was also a reflection of popular dissent in the central and northern provinces.

Such rivalries play out in the context of the shifting architecture of Mozambique’s political economy, where a large range of dynamic and interactive forces, internal and external, are pushing for attention. This chapter examines a core set of current factors that are, or could become, drivers of instability and conflict. The choice of factors outlined reflects two things: the scale of the sector or its potential economic significance, and the potential for policy shifts and interventions to bring a positive impact.

LNG, and expectations of investments

Oil and gas companies have made optimistic public statements about their prospects in Mozambique. This is to be expected as the mid-cap companies try to build

confidence in their operations, but it may not be good for politics in the country. According to Anadarko, the operator of Area 1 in the Rovuma basin, ‘massive natural gas discoveries have the potential to elevate Mozambique to the world’s third-largest exporter of natural gas’.⁹ This is based on the assumption of recoverable reserves of 2.25 trillion cubic metres (Tcm).¹⁰ In fact, on the basis of current knowledge, even if Mozambique has 7 Tcm of reserves in total, this may make it the seventh largest in the world in terms of reserves. Likewise, the projections for revenues from eventual LNG exports vary and are potentially misleading. In late 2014 Anadarko was pushing for four liquefaction trains and major exports by 2018.¹¹ This was subsequently moderated to two trains in 2019 – still a very ambitious target, given that most independent observers, including the IMF, suggest that 2020–21 is more likely as a start date.¹²

The key factor is the Mozambican government’s attitude to developing a positive business environment for oil and gas operators in the context of low commodity prices, high levels of competition from other countries and relatively high project development costs.

Global demand for LNG seems secure. But in the medium term, supply is also diversifying as producers compete to feed the buoyant and lucrative East Asian market. At a project level, the factors that give investors the edge are low host-government revenue requirements, low project construction costs, low lift costs and low transport costs. In a scenario in which investors are choosing between two projects of a similar scale (of recoverable reserves), if construction and transport costs are determined by the global market in gas engineering and transport, and if lift costs are typically low, the key variable is the host government’s share.

Thus, the critical factor is the Mozambican government’s attitude to developing a positive business environment for oil and gas operators in the context of low commodity prices, high levels of competition from other countries and relatively high project development costs. As of May 2015, one major international oil company that had

⁷ Dzinesa, Gwinyayi A. and Dimpho Motsamai (December 2013), ‘Renamo’s war talk and Mozambique’s peace prospects’, Institute for Security Studies, Pretoria.

⁸ ‘Mozambique offers opposition leader plum \$2 mn post’, Agence France-Presse, 18 December 2014, <http://news.yahoo.com/mozambique-offers-opposition-leader-plum-2-mn-post-205232916.html>; ‘Mozambique: Dhlakama Threatens Secession’, AIM, 11 January 2015, <http://allafrica.com/stories/201501110262.html>.

⁹ Anadarko, ‘Anadarko Discoveries in Mozambique’, <http://www.anadarko.com/Operations/Upstream/Africa/Mozambique/>.

¹⁰ Equivalent to 75 trillion cubic feet (Tcf).

¹¹ Wild, Franz, ‘Mozambique Seeks Bigger Stake in Anadarko, Eni Gas Fields’, Bloomberg, 11 November 2013, <http://www.bloomberg.com/news/articles/2013-11-11/mozambique-seeks-bigger-stake-in-anadarko-eni-gas-fields>.

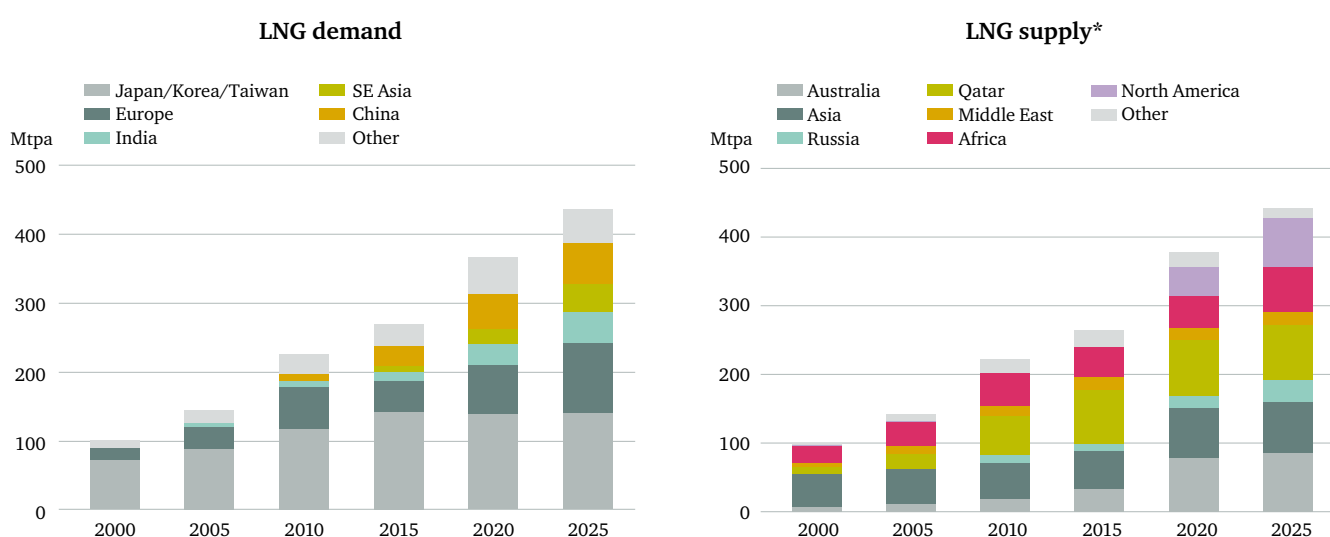
¹² Maylie, Devon and Daniel Gilbert, ‘Anadarko’s Controversial Mozambique Project Shows Appetite for Natural Gas’, *Wall Street Journal*, 11 August 2014, <http://www.wsj.com/articles/anadarkos-controversial-mozambique-project-shows-appetite-for-natural-gas-1407810602>.

Table 1: Reserves and consumption of the 10 countries with the largest natural gas reserves

	End 2012 Reserves	2012 Production	End 2013 Reserves	2013 Production	Production 2013 over 2012	2013 Consumption
	Tcm	Bcm	Tcm	Bcm	% change	Bcm
Russia	31.0	592.3	31.3	604.8	17.9	413.5
Iran	33.6	165.6	33.8	166.6	0.8	162.2
Qatar	24.9	150.8	24.7	158.5	5.4	17.8
Turkmenistan	17.5	62.3	17.5	62.3	0.4	22.3
United States	8.7	681.2	9.3	687.6	1.3	737.2
Saudi Arabia	8.2	99.3	8.2	103.0	4.0	103.0
UAE	6.1	54.3	6.1	56.0	3.3	68.3
Venezuela	5.6	29.5	5.6	28.4	-3.2	30.5
Nigeria	5.1	43.3	5.1	36.1	-16.4	n.a.
Algeria	4.5	81.5	4.5	78.6	-3.3	32.3

Source: BP, *Statistical Review of World Energy* (2014).

Figure 1: Trends in global gas markets and their implications for LNG project development



Sources: Wood Mackenzie; Royal Dutch Shell.

* Risked view of all LNG supply projects.

hoped to be able to sign a final investment agreement that month was still waiting for the government to finalize the decrees detailing how the new Petroleum Law¹³ was to be enacted.

There is less certainty over prices, but low oil prices are broadly paralleled in LNG prices, especially in Europe and Asia. LNG is primarily exported to Asia, and US natural

gas and LNG (Japan) prices declined by 25 and 15 per cent respectively in the second half of 2014. If the current low oil prices persist, the sale price of LNG will be affected most in the longer term because its pricing arrangements are linked to oil prices.

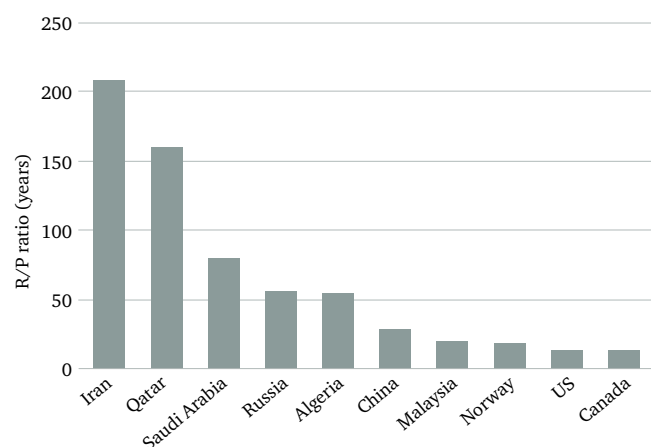
Furthermore, investors in Indian Ocean and Persian Gulf gas are aware that, with a reserves-to-production (R/P)

¹³ Petroleum Law (Law No. 21/2014), 14 August 2014.

ratio exceeding 200 years, Iran holds by far the world's most significant and underdeveloped natural gas reserves.¹⁴ It might take Iran a decade to develop these reserves – less if it reaches an agreement with Qatar – but production levels of 700 million cubic metres (Mm³) per day (250 billion cubic metres (Bcm)/year) are possible.¹⁵ Some features of LNG development in the Persian Gulf – such as expanding existing facilities and working on brownfield sites with a relatively skilled workforce in proximity to the United Arab Emirates (UAE), a global hub for oil and gas expertise – could make it very competitive in comparison to Mozambique. Iran is flirting with the global 'superplayers' in gas (Total, BP, Shell, Gazprom and QatarGas): all the two sides need to move ahead is for the P5+1 nuclear negotiations to reach a deal and for sanctions on Iran to be lifted. But these majors also know that Iran will drive the hardest deal on royalties. The key criteria, as ever, will be the business environment and the host government's share.

Various scenarios have been developed for Mozambique's LNG assets, and so far it is reported that investors are attracted to the projected low costs involved with the project. It is estimated that supply cost delivered to Japan is around \$11–13/million British thermal units (MMbtu), which is comparable with prices in western Canada and western Australia, and lower than supply costs from output in eastern Australia.¹⁶

Figure 2: Natural gas R/P ratios for the 10 largest producers



Source: BP, *Statistical Review of World Energy* (2014).

In the case of the development of natural gas in Mozambique, in addition to issues related to the environment and the resettlement of communities, investors are faced with the fact that Mozambican law limits the number of expatriate workers to less than 10 per cent of any company's workforce. To construct two LNG trains at competitive cost would therefore mean training perhaps thousands of Mozambicans.

On the Mozambican side, a forward supply contract ties government and operator into selling a fixed volume of gas – perhaps 15–20 per cent of the project's output – at a fixed or tracked price for three-to-five years. These early pre-production supply contracts are signed up as seed money to remove financial risk from the project. Essentially, when an operator has one-quarter of the required funding, it can usually leverage a limited resource facility from a banking consortium to finish the project. The problem for Mozambique is that investors have several alternatives in other countries. This leaves the operator – and Mozambique – committed to selling some LNG at relatively low costs. It is in this light that international oil companies will want to see the potential for forward supply contracts with East Asian or Indian markets before making a final decision to invest in deep-water prospects.¹⁷

Expectations from coal

Substantial expectations have been vested in the potential of Mozambique's other natural resources. With LNG always having been expected to come on stream later, coal has in the mean time been the forerunner of the anticipated resource boom. The first exports of coal from the new investments in mining activity of the mid-2000s were made in 2011. Major growth in production and in the value of the production was forecast by the government and other actors after the new mines in Moatize and Benga came online. Between 2011 and 2012 revenue from coal mining almost quadrupled, with a low but measurable impact on government revenue. This impact from coal mining was also projected to grow significantly and reach 1.7 per cent of gross domestic product (GDP) in 2017. All forecasts highlighted delays in infrastructure development and international prices as risk factors. Flooding in 2014 and at the start of 2015 caused damage to the coal export rail line running from Moatize in

¹⁴ The R/P ratio represents proven reserves remaining at the end of any given year, divided by production in that year – i.e. the length of time that remaining reserves would last if production were to continue at the same rate. See BP, *Statistical Review of World Energy* (2014), <http://www.bp.com/content/dam/bp/pdf/Energy-economics/statistical-review-2014/BP-statistical-review-of-world-energy-2014-full-report.pdf>, p. 20.

¹⁵ Salacanian, Stasa, 'Iran is at least a decade away from becoming a major gas exporter', bq Doha, 5 February 2014, <http://www.bqdoha.com/2014/02/iran-is-at-least-a-decade-away-from-becoming-a-major-gas-exporter>.

¹⁶ Cottrell, Nico (May 2014), 'Gas Boom in East Africa: is it the next epicentre for LNG?' *MJMEnergy*, Issue 108, <http://www.mjmenenergy.com/MZINE/2014/may14art2.html>.

¹⁷ 'Eni finance chief expects investment decision on Mozambique LNG by mid-2015', Reuters Africa, 18 February 2015, <http://af.reuters.com/article/investingNews/idAFKBN0LM1G120150218>.

Tete to Beira.¹⁸ The new rail link from Moatize to Nacala is not prone to flooding, however; Nacala itself is a deep-water port, and thus is not vulnerable to silting. Constructed with funding from the EU and the Netherlands, the line will carry coal from all the mining companies in Tete.¹⁹

Despite the near-completion of the new rail line, outcomes and expectations to the end of 2014 have been sobering. The Ministry of Economy and Finance noted that, in the context of the drop in coal prices on international markets, revenue from mining decreased by 2.6 per cent between 2013 and 2014.²⁰ It is not clear if this is a reflection of prices alone, however, or whether production has also been lower than expected. Updated government projections for 2015 have been postponed because of the delay in preparing the budget that was eventually approved in April. In its review of the Policy Support Instrument (PSI) for Mozambique published in January 2015, the IMF stated that it expected coal production to remain flat in 2015 as a result of lower than expected prices.²¹ It noted that the price situation, combined with high transport costs, could lead to expansion plans being postponed, although it did not present updated medium-term projections.²² The Economist Intelligence Unit has been more optimistic, pointing to the near completion of the Nacala rail link and the coal export terminal as a factor in eliminating the bottleneck in exports.²³

Regardless of these indications of a changed outlook, as at September 2014 Business Monitor International maintained its strong growth projection, expecting Mozambique to become one of the 10 largest coal exporters in the world by 2018.²⁴ The IMF has been more circumspect, referring to an expected natural resource boom in the medium term while at the same time noting the current slowdown. The outcome will depend on whether the substantial planned infrastructure investments go ahead, which again will be related to price developments. The efficiency of the outcome of infrastructure investments is crucial from an industry point of view, as this is a major determinant in reducing cost and keeping production viable.

It is important also to make a distinction between coking coal and thermal coal, as these have attributes that differentiate them in the market. Whereas thermal coal is seen almost as a residue with very low export value by the industry, coking (or metallurgical) coal is practically irreplaceable in the production of steel. This implies that coking coal is less likely to be impacted in the long term by lower prices for oil and gas but more by the demand for steel, with China and India the biggest markets. This might ensure the future of the coal industry in Mozambique, and perhaps the eventual development of a steel industry, as the deposits in Tete are relatively rich in coking coal compared

Table 2: Coal sector – production, revenues and infrastructure needs²⁵

	2011	2012	2013	2014	2015	2016	2017
Production million metric tons (IMF) *	n.a.	5	n.a.	6 (C) 3 (T)	n.a.	n.a.	22
Production million metric tons (BMI)	0.6	3.8	5.8	9.1	13.9	23.3	27.2
Production million metric tons (government forecasts)	n.a.	3.0 (C) 2.0 (T)	6 (C) 1.5 (T)	9.5 (C) 5 (T)	n.a.	n.a.	n.a.
Coal GDP Metacais billion	2.5	9.8	15.9	20.7	30.8	39.6	50.5
Revenues % of GDP	0.0	0.1	0.3	0.5	0.9	1.3	1.7
Infrastructure use and expected improvements	Sena line to Beira			Sena line rehabilitated	Nacala line operational		

* All production data quoted include coking and thermal coal, except where (C) for coking or (T) for thermal is specified.
Source: IMF (2013); BMI Research (2014); República de Moçambique (2013).

¹⁸ 'Mozambique resumes traffic on flood-affected railway line', StarAfrica.com, 13/01/2015, <http://en.starafrica.com/news/mozambique-resumes-traffic-on-flood-affected-railway-line.html>.

¹⁹ Abdul Carimo, chair of the Zambézia corridor (Corredor de Desenvolvimento Integrado da Zambézia, CODIZA), admitted in April 2015 that there was no investor for the proposed railway to transport coal from Moatize (Tete) to a new port at Macuse (Zambézia).

²⁰ República da Moçambique Ministério da Economia e Finanças (2014), 'Relatório de Execução do Orçamento do Estado: Ano 2014, Janeiro a Dezembro' [State budget implementation report], p. 16, http://www.dno.gov.mz/docs/orc_estado/execucao/REO_Jan_Dez_2014.pdf.

²¹ International Monetary Fund (IMF), 'Republic of Mozambique: Third Review Under the Policy Support Instrument-Staff Report and Press Release', Country Report No. 15/12, 9 January 2015.

²² Ibid.

²³ The Economist Intelligence Unit expects the global price to drop from \$70/ton to \$66/ton between 2014 and 2015. Economist Intelligence Unit (March 2015), 'Mozambique', Country Report February 2015.

²⁴ Business Monitor International (2014), 'Mozambique Mining Report Q4 2014'.

²⁵ The figures quoted here are not official, so there is some uncertainty over the exact numbers.

with others worldwide.²⁶ There is also a case for thermal coal in domestic energy production, whereby companies would use it to produce electricity that would be sold at a subsidized (development) rate as part of their corporate social responsibility programmes.

The October 2014 sale of Rio Tinto's coal assets (65 per cent of Benga; and 100 per cent of Zambézia and Tete East) at a discounted price to India's International Coal Venture Private Ltd (ICVL) illustrates the difficulties in predicting the future of coal in Mozambique.²⁷ ICVL is different from traditional mining companies in that it is a special-purpose vehicle for state-owned Indian steel companies, set up to secure overseas acquisitions of coking coal.²⁸ The objective of this is to reduce supply risks and manage price volatility.²⁹ The sale is potentially linked to the strengthened bilateral relationship between India and Mozambique fostered by former President Guebuza. The answer remains elusive as to what implications this will have for the coal sector in Mozambique or prospects of boosting government revenue through coal exports.

Regardless, production of coking coal alone will not drive a significant resource-revenue boom, and Mozambique would benefit from mitigating the high expectations about its extractive industries. The new government should consider an effective communication strategy to spread this message.

Transparency

Although transparency in extractives has improved significantly over the past years, particularly in comparison with other sectors such as land, access to regularly updated information on production, exports and revenue from coal and other extractive industries is still difficult to come by. The current situation is hard to assess, as the new government still has to settle down and get websites such as for the restructured Ministry of Mineral Resources and Energy (MIREM) up and running (at the time of writing, this site was inaccessible for several weeks).³⁰ The project leading to the release of the very informative, interactive Mozambique Mining Cadastre Portal is a good example of the improvements and resources invested in extractive

industry transparency.³¹ It remains to be seen, however, if the map will be updated as some licences and concessions change or expire.

The new government, given its stated commitment to transparency, should ensure continuation of the gradually improving access to this information on extractive industry production and revenue generation. This would serve as evidence that the government is trying to strengthen revenue collection not only through the capital gains tax but also through royalties and corporate income tax among others. While MIREM's website now beginning to publish details of major contracts sends a strong and positive signal, it or the Ministry of Economy and Finance could take the lead by, for example, publishing monthly production and price figures on their websites (something that has been done for oil revenue in Angola), which could be linked to the online mining portal.

Although Mozambique is a compliant Extractive Industries Transparency Initiative (EITI) member, producing five reports to date, the most recent reconciled data available are from 2012. This means that EITI Mozambique managed to reconcile data for two years (2011 and 2012) in 2014. This is a positive step and shows concrete follow-up on the commitment made by former minister of mineral resources Esperança Bias to EITI Chair Clare Short to reduce the time lag in data covered to one year by 2015.³² If this progress is continued, it should be feasible to reconcile data from 2013 and 2014 before the end of 2015. Given the increasing complexity of the reporting, the challenge will be to support and enhance the working of EITI and engage effectively with civil society. The current budget of Mozambique's EITI (to June 2015) allocates 64 per cent of total costs to public dissemination and capacity building in civil society.³³ The current terms of reference for the sixth report are out and ahead of schedule,³⁴ but the new government should be encouraged to maintain the momentum of upgrading the scope and implementation of EITI. It is to be hoped that the quality of the report will be strengthened, the report itself will be more widely disseminated and relevant findings will be followed up by the Supreme Audit Institution (Tribunal Administrativo).

²⁶ Van Wyngaardt, Megan, 'Mozambique is new coking coal focal point', *Mining Weekly*, 22 June 2011, <http://www.miningweekly.com/article/mozambique-is-new-coking-coal-focal-point-2011-07-22>.

²⁷ Das, Ajay K., 'India's ICVL to invest \$500m in Mozambique infrastructure', *Mining Weekly*, 27 October 2014, <http://www.miningweekly.com/article/indias-icvl-to-invest-500m-for-mozambique-infrastructure-2014-10-27>.

²⁸ See also Chapter 6.

²⁹ Singh Rajput, Shilpa, 'ICVL to form SPV for acquisition of overseas coal assets', *Steel 360*, 21 August 2014, <http://news.steel-360.com/coal/icvl-to-form-spv-for-acquisition-overseas-coal-assets/>.

³⁰ Ministry of Mineral Resources and Energy, www.mireme.gov.mz.

³¹ Available at <http://portals.flexicadastre.com/mozambique/en/>.

³² EITI Mozambique, <http://itie.org.mz/index.php/component/k2/item/15-relat%C3%B3rios-da-itiem-passaram-a-ser-produzidos-numa-base-anual>.

³³ EITI Mozambique, 'Plano de Trabalho ITIEM: Julho 2013 – Julho 2015', [https://eiti.org/files/Mozambique--Workplan%20July%202013-July%202015%20\(2\).pdf](https://eiti.org/files/Mozambique--Workplan%20July%202013-July%202015%20(2).pdf).

³⁴ Ibid.

The best outcome for EITI data is to feed into political support for public finance management – and this can be driven by civil society pressure. There are opposing views as to how EITI data should be disseminated. One view suggests that the data are a macro-fiscal issue and should be primarily aimed at the relevant technocrats in government, the private sector and the few capable civil society interests; thus the data should be produced and released in a comprehensive and technical form. The counter-case is that the data, and their implications, need to reach a wider audience in civil society in order to build wider accountability and more active engagement with fiscal policy. The optimum solution would be to do both: to produce detailed reporting for technocrats and aggregate comparative data for others, but this would place considerable responsibility on the EITI committee to determine how the raw data are broken down into a more concise and digestible form.

The best outcome for EITI data is to feed into political support for public finance management – and this can be driven by civil society pressure.

Reporting of natural-resource revenues in the budget could be strengthened by transitioning to the updated IMF *General Finance Statistics Manual* (GFSM 2014) when it has been approved.³⁵ The challenges will then be in shifting EITI past the technical level in improving revenue management and transparency in the budget process, and, critically, effectively engaging civil society. The GFSM can be configured to support this outcome. With this in hand, the MIREM or the Ministry of Economy and Finance could be encouraged to publish data on mineral and hydrocarbon production and prices on a monthly basis. In addition, EITI and the IMF have collaborated on an extended framework to improve resource-revenue classification in the budget that would be relevant for Mozambique.³⁶ This could also pave the way for extending good practice on revenue management to commercial fisheries and forestry, which are major commercial enterprises and *de facto* extractive industries.

Two international norm-setting and multi-stakeholder initiatives could assist the government. The UN Guiding Principles on Business and Human Rights were endorsed by the UN Human Rights Council in 2011, and by a UN

Working Group on business and human rights. These principles are just a first step on the road to greater corporate accountability, but Mozambique's use of them could assist in benchmarking standards.

There have been workshops on the Voluntary Principles on Security and Human Rights (VPs) in Mozambique, but the government has yet to make a decision to adopt them. The VPs involve governments, companies and non-governmental organizations, and provide guidance for oil, gas and mining companies in fragile and conflict-affected countries on how to provide security for their operations in a manner that respects human rights. Such a platform would allow Mozambique to get involved in a broader international network of best practices that would assist it in developing measurable benchmarks and standards.

Challenges on the ground

Coal production in Mozambique is predominantly in Tete province, which holds deposits of an estimated 32 billion metric tons (the Moatize deposit alone holds an estimated 2.5 billion tons). Production to date has come at a price for the companies, the population and the government. Conflicts related to compensation and relocation from the Vale and Rio Tinto projects in Moatize have been well documented,³⁷ but problems have spread to new mining concessions, particularly in Changara district, northwest of Tete, where the Indian company Jindal Steel and Power Limited (JSPL) began production in 2013.

The main challenges, recognized by all parties, relate to compensation and relocation of affected communities. The land law establishes that, although the land is owned by the state, the right to use it is granted to individuals and collectives.³⁸ The government issues titles known by their Portuguese acronym DUAT (Direito de Uso e Aproveitamento da Terra), but even in cases where people do not have this title their right to use the land is guaranteed by law if they have occupied it for more than 10 years. When an area has been identified for mining purposes, the regulation shifts from the land law to the mining law, a new version of which was enacted in August 2014.³⁹

The mining law establishes that pre-existing rights to the use of land are considered void after the payment of a 'just compensation' to the previous users.⁴⁰ The question remains

³⁵ IMF (2014), 'Government Finance Statistics Manual 2014: Pre-publication Draft, March 2014'.

³⁶ IMF, 'IMF and the Extractive Industries Transparency Initiative Collaborate Toward Improving Transparency of Natural Resources Revenues', Press Release No. 14/473, 16 October 2014, <http://www.imf.org/external/np/sec/pr/2014/pr14473.htm>.

³⁷ Human Rights Watch (2013), 'What is a House without Food? Mozambique's Coal Mining Boom and Resettlements.' http://www.hrw.org/sites/default/files/reports/mozambique0513_Upload_0.pdf.

³⁸ Lei de Terras (Lei No. 19/1997), 1 October 1997.

³⁹ Lei de Minas (Lei No. 20/2014), 18 August 2014.

⁴⁰ Article 12.2, Lei de Minas (Lei No. 20/2014), 18 August 2014.

what constitutes a ‘just’ compensation, which under the previous law and regulations was to be determined through negotiation. The regulations for the mining law could potentially clarify how this would be determined; however, their publication has been delayed, probably because of the elections and the subsequent lengthy process of putting together the new cabinet.

If compensation will continue to be settled through negotiation, this might put local communities at a disadvantage. There are signs, however, that the government wants them to benefit more from extractives, a move that may also stem from the history of strikes and unrest that have beset the industry.⁴¹ The issuing in 2012 of the ‘resettlement decree’ (regulation) could be seen as a turning point in this regard.⁴² Such regulations usually provide guidelines for the interpretation of a specific law rather than act as a stand-alone piece of legislation, but the resettlement decree is a legislative oddity in that it provides detailed guidelines for compensation (see Box 1).

Box 1: Mozambique’s resettlement decree

Article 10 – Rights of the Affected Population

The rights of the directly affected population are:

- a) To have their income level re-established, equal to or above the previous level;
- b) To have their standard of living re-established, equal to or above the previous level;
- c) To be transported with their goods to the new place of residence;
- d) To live in a physical space with infrastructures and social facilities;
- e) To have space to perform their subsistence activities;
- f) To give their opinion about the entire resettlement process.

Source: ‘Human Rights Watch Recommendations for Mozambique’s Resettlement Decree’, Human Rights Watch, 17 September 2012, <http://www.hrw.org/news/2012/09/17/human-rights-watch-recommendations-mozambique-s-resettlement-decree>.

As has been noted by Human Rights Watch and a range of Mozambican civil society organizations, resettlement should always be a last resort. That said, the resettlement decree provides quite strong guidelines to ensure that the population is compensated in an adequate manner. It is important for the international community to encourage the new government to follow this direction and ensure that the regulations to the new mining law do not undermine the gains made.

In spite of the reasonable regulatory framework, challenges continue on the ground, with JSPL being the target of angry protests in 2013 from members of a community located only 5 km from an open-cast mine where production had already started.⁴³ JSPL claims that it is only waiting for the government of Mozambique to indicate the area to which the population should be relocated.⁴⁴ This is acknowledged by the government, which faces the basic constraint that it can be difficult to identify areas suitable for resettlement. This issue is related to the extensiveness and proximity of the concession areas in places like Tete, as clearly illustrated in the mining portal.

The portal extract in Map 2 shows the concession areas around Tete. It illustrates how much space is, technically speaking, covered by agreements with companies, thus constraining the government’s flexibility in identifying areas for relocation.

This situation led the Tete provincial administration to pioneer a new approach, which involved retaking possession of 4,000 hectares (about 20 per cent) of the concession area initially awarded to JSPL. The area was selected to eliminate the need to relocate one community and facilitate the relocation of another to an area nearby. There were supposedly less promising geological data for this specific part of the concession area, but it was still a decision that the company did not accept easily. There are indications that the concession areas are too vast (with areas for planned mining only covering a fraction of the concession area) and that the surface tax collected during the exploration phase is too low to create an incentive to occupy areas more efficiently. Further studies of this situation and experience related to the recovering of part of the JSPL concession would help to refine a promising approach to resolving the challenges related to resettlement.

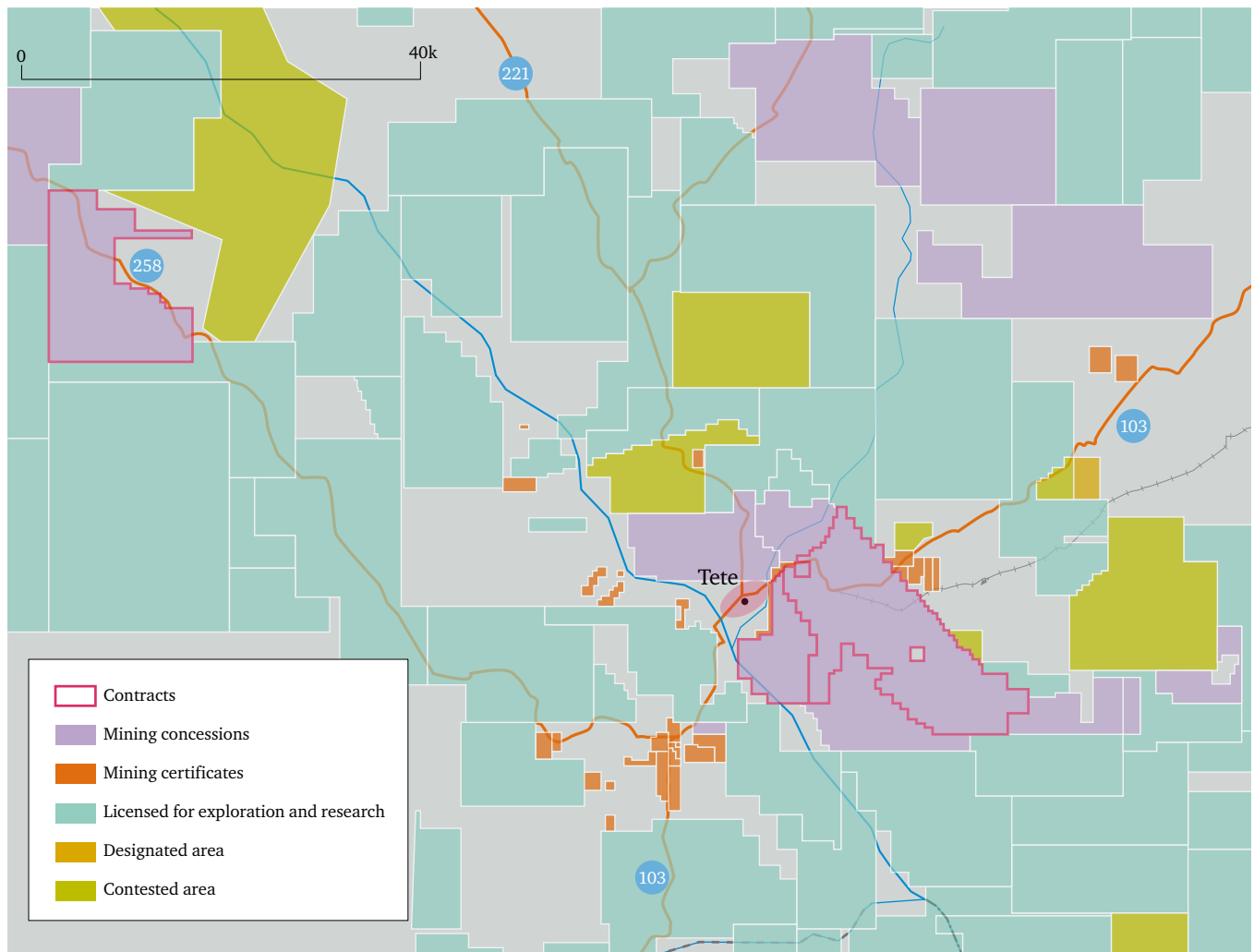
⁴¹ In January Jindal experienced strikes and Rio Tinto temporarily suspended road-based exports after threats from RENAMO. ‘Rio Tinto Resumes Coal Transportation in Mozambique’, CNBC Africa, 12 February 2015, <http://www.cnbc.com/news/mining/2013/07/12/rio-tinto-resumes-coal-transportation-in-mozambique/>.

⁴² Regulamento sobre o Processo de Reassentamento Resultante de Actividades Económicas (Decreto No. 31/2012) [Regulations on the Resettlement Process Resulting from Economic Activities], 8 August 2012.

⁴³ Jackson, Jinity, ‘Mozambique Villagers Exposed to Open-Pit Coal Mine’, Voice of America, 27 August 2013, <http://www.voanews.com/content/mozambique-villagers-exposed-to-open-pit-coal-mine/1737927.html>.

⁴⁴ Similar incidents are described in recent reports, including in Human Rights Watch (2013), ‘What is a House without Food?’.

Map 2: Concession areas, Tete province



Source: MIREM (<http://portals.flexicadastre.com/mozambique/en/>). Major roads are numbered.

The extensiveness of the concession areas also imposes challenges for other sectors, particularly agriculture. Tension resulting from this has emerged in some areas. Obtaining better geological data (e.g. by enforcing the systematic collection of data from mining companies carrying out exploration) should ensure more efficient allocation of land and facilitate the coexistence of mining and agriculture as complementary sectors.

Partisan political issues might constitute further risks for security and stability, and could already have been the most important incentive for the government to resolve the disputes in Tete, where RENAMO has always had strong support. Some districts, such as Moatize, consolidated this historic trend in the last elections, with RENAMO taking more than 65 per cent of the vote.

Managing and redistributing resource revenue

It is beyond the scope of this report to present a thorough analysis of the implications of revenue management and sharing on stability in Mozambique. It is clear, however, that the inflated expectations of a future as a resource-rich country increase the pressure on the government to obtain a significant take from the various projects and manage the revenue as efficiently as possible. There are many macro-fiscal concerns to take into consideration, such as ensuring realistic revenue projections and mitigating volatility through stabilization mechanisms or wealth funds without this becoming about sidestepping a weak public financial management system. The latter is a risk associated with setting up separate management structures (e.g. a sovereign wealth fund). A better way, especially for

a country with less explosive revenue generation, is to ensure that all the money is on budget and accounted for throughout the budget cycle. The revenue boom must be used to strengthen existing systems rather than creating new ones.

Second, a transparent redistribution of revenue will be central to meeting expectations or to lowering them to what can be achieved with these resources. Revenue sharing is the issue that Mozambique has taken most concrete steps to address, by putting in place a mechanism that allocates a certain share of resource revenue to communities where the resources are extracted. The mechanism is important, but the reason it is emphasized here is that it is flawed in its current set-up and risks not having the desired impact. Adjusting the revenue-sharing mechanism to get it to work in an efficient and equitable manner is important for maintaining the stability of production and reducing poverty in the affected areas.

The revenue boom must be used to strengthen existing systems rather than creating new ones.

The legal framework for the revenue-sharing model that was introduced in 2013 and continued in 2014 is based on the tax legislation for the mining and oil sectors.⁴⁵ The law does not determine a fixed percentage or amount that must be shared with communities, but only stipulates that *some* resources have to be channelled specifically towards development in the communities where mining or oil projects are located. The law further determines that the percentage or share has to be set on an annual basis in the budget law, based on ‘expected revenues from mining/petroleum activities’.⁴⁶

Seven communities were chosen to receive funds through the revenue-sharing mechanism in 2013, and the same communities were selected for 2014 (see Table 3).⁴⁷ The list does not seem to be exhaustive, as some eligible areas are not included – such as a number of communities affected by the JSPL concession in Changara, Tete. The criteria whereby some communities are included but others are not are unclear.

Table 3: Recipient communities of the revenue-sharing mechanism

Province	District	Community	Type of extraction
Inhambane	Govuro	Pande	Natural gas
	Inhassoro	Maimelane	Natural gas
Tete	Moatize	Cateme	Coal
		25 de Setembro	Coal
		Chipanga	Coal
		Benga	Coal
Nampula	Moma	Topuito	Heavy sand

Source: Ministry of Finance (2014): Relatório de Execução do Orçamento do Estado, Janeiro a Dezembro de 2013, p. 32; Ministry of Economy and Finance (2015): Relatório de Execução do Orçamento do Estado, Janeiro a Dezembro de 2014, p. 33.

The model is not functioning well for a number of reasons. The World Bank published a detailed and critical analysis of the revenue-sharing mechanism in August 2014.⁴⁸ As shown below, the challenges noted in 2013 have been aggravated in 2014.

In 2013 and 2014 the share to be transferred to development in the communities affected by mining and oil production was 2.75 per cent of the revenue generated by the mining and oil industry. (The budget laws use the term *receitas geradas*, but in practice the amounts seem to have been calculated based only on royalties.)⁴⁹

At the time of writing, due to the delay in preparing the 2015 budget, it was not yet known if this percentage will be maintained. The lack of a fixed percentage is the first in a series of aspects of the current revenue-sharing model that make this unpredictable. Imposing a firmer fiscal rule by fixing a percentage in the legal framework (and not making it subject to annual budget allocation decisions) would not solve the problem of unpredictability, however, as the revenue base on which the rate is calculated is highly volatile.

⁴⁵ Article 19, Lei No. 11/2007, 27 June 2007: ‘Uma percentagem das receitas geradas na extracção mineira canalizada para o desenvolvimento das comunidades onde se localizam os respectivos projectos mineiros’ [A percentage of the revenues generated from mining to go to the relevant communities from the mining locations]; Article 11, Lei No.12/2007, 27 June 2007: ‘Uma percentagem das receitas geradas na actividade petrolífera é canalizada para o desenvolvimento das comunidades das áreas onde se localizam os respectivos projectos petrolíferos’ [A percentage of the revenues generated from oil-related activities to go to the relevant communities from the oilproducing locations]. See <http://www.mf.gov.mz/docs/Legislacao/AT/Lei%2011,12,13,14-2007.PDF>.

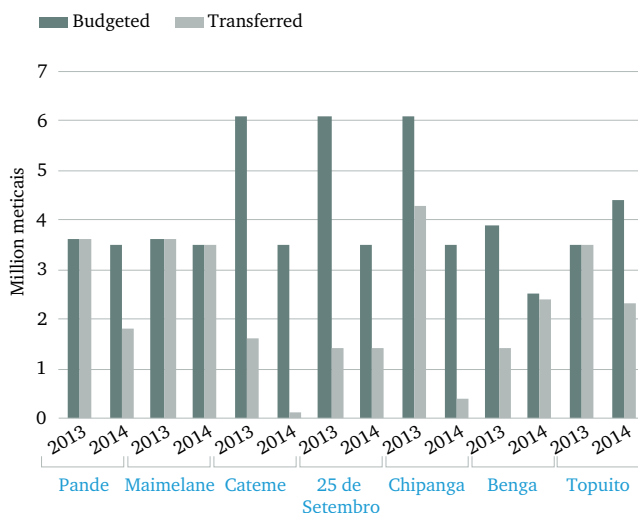
⁴⁶ Ibid.

⁴⁷ República de Moçambique Ministério das Finanças, ‘Relatório de Execução do Orçamento do Estado: Ano 2013, Janeiro a Março’, p. 32 ‘Relatório de Execução do Orçamento do Estado: Ano 2014, Janeiro a Março’ [State budget implementation reports].

⁴⁸ World Bank (August 2014), ‘Republic of Mozambique, MZ Governance, Sharing Natural Resource Revenues with Affected Communities: Policy Options for Mozambique’. See <https://eiti.org/files/Sharing%20Natural%20Resource%20Revenues%20with%20Affected%20Communities%20-%20Policy%20Options%20for%20Mozambique.pdf>.

⁴⁹ Article 7, Lei No.1/2013, 7 January 2013; Article 7, Lei No.1/2014, 24 January 2014.

Figure 3: Revenue-sharing mechanism (budgeted vs transferred amounts, by recipient community)



Source: World Bank (2014).

In 2013 the budget allocated 32.9 million meticaïs to the seven chosen communities, but at the end of the year only 59 per cent of this total had been transferred. In 2014 24.4 million meticaïs, almost one-third less than the previous year, was allocated, and by the end of the year only 49 per cent had been transferred. As shown in Figure 3, there were significant variations between the communities, with some receiving the entire budgeted amount in 2013 (Pande, Maimelane and Topuito), whereas others received as little as 23 and 26 per cent of the budgeted amount (25 de Setembro and Cateme). The situation worsened in 2014 with only Maimelane receiving the budgeted amount, while communities such as Cateme and Chipanga only received 3 and 6 per cent respectively.

This level of unpredictability undermines any kind of efficient planning and use of these funds. Unless it is substantially improved, the government should consider abolishing the mechanism. Although the funds are rather limited, at only 2.75 per cent of the oil and mining revenue, and therefore have a limited impact on local revenue, the base is expected to grow in the future. It would be important

to identify ways of stabilizing the revenue flow, even if it meant lower actual amounts. The point here is not to suggest that the amount allocated through this particular redistribution mechanism should necessarily be increased, but that it needs to be much more stable and predictable.

Strengthening local accountability of the management of the revenue is also crucial. In addition to ensuring full transparency and effective communications mechanisms, which could be based on expanded use and improved quality of the information in the citizens' budget, there should be support for civil society engagement in tracking the application of the funds.⁵⁰

Land rights and access to justice

Land is important simply because around 70 per cent of Mozambicans are farmers. The 1997 land law and the regulations adopted in 1998 were developed to give access to land to all, with an emphasis on equity and also to guarantee gender rights. Despite this emphasis on equity, or perhaps because of it, the law does not provide a strong guarantee of usufruct, i.e. the protection of rights of use.⁵¹ The law is straightforward: the state owns all land; individuals and/or communities merely own the investments on that land.⁵² Rights of use of the land are guaranteed by obtaining a DUAT.⁵³

The law stipulates that a company wishing to develop an agribusiness on land farmed by individuals and/or communities must undertake negotiations with them in order to get them formally to agree to relinquish their rights. The law provides that, in return for giving up their rights of use, the individuals and/or communities can negotiate for terms and benefits. Most important, the government is obliged to confirm that the consultations and negotiations took place before approving any investor's application for a DUAT.⁵⁴ Under the 1997 land law, this role falls to the provincial offices of the National Directorate of Land and Forests (DNTF) of the agriculture ministry – which convey the applications from private sector investors and hold the responsibility for facilitating negotiations with local people – a structural weakness that can undermine the authority of the state.⁵⁵

⁵⁰ República da Moçambique, Ministério das Finanças (December 2013), 'Orçamento Cidadão' [Citizens' budget], 3ª Edição, p. 7.

⁵¹ 'Mozambique's ProSAVANA programme – "Open your eyes, you'll lose your land," warns a Brazilian "sem-terra"', La Via Campesina, 24 October 2013, <http://viacampesina.org/en/index.php/main-issues-mainmenu-27/agrarian-reform-mainmenu-36/1509-mozambique-s-prosavana-programme-open-your-eyes-you-ll-lose-the-land-warns-a-brazilian-sem-terra>.

⁵² The Land Law gives local communities the authority to delimit land, resolve conflicts and manage natural resources. Article 24, Lei de Terras (Lei No. 19/97), 1 October 1997.

⁵³ There are three ways in which a DUAT can be secured: 'Rural communities have a perpetual DUAT for land occupied under customary systems. Individuals occupying land in good faith for at least ten years have a perpetual DUAT for residential and family use. Individuals or companies can apply for a DUAT for a particular piece of land for up to 50 years, with one renewal.' 'Mozambique's Innovative Land Law', Focus on Land in Africa, <http://www.focusonland.com/countries/mozambiques-innovative-land-law/>.

⁵⁴ Under a process outlined in the 2000 Technical Annex to the 1997 Land Law, and subsequently the Community Consultation Regulations (Ministerial Diploma 158/2011) and the Resettlement Regulations (Decree 31/2012).

⁵⁵ Hilhorst, Thea and Nicolas Porchet (2012), 'Mozambique: Food security and land governance fact sheet' (Utrecht: Land Governance for Equitable and Sustainable Development), <http://localdemocracy.net/2011/01/01/mozambique-food-security-and-land-governance-factsheet/>.

In practice, however, the law is problematic. Many communities and individuals have no formally held DUAT documentation: since a DUAT can be based on verbal assertion if there is community consent, many individuals are illiterate and recognized boundaries can overlap. For instance, different communities with different farming systems may use the same piece of land for different purposes (e.g. grazing land and non-timber forest products), and thus the two DUATs overlap. The Mozambique Community Land Fund (*Iniciativa para Terras Comunitárias*, or iTC) was established in 2006 to work primarily in assisting communities in registering land. The outcomes in 2013 showed a group of flaws in the application of the law, many of them focusing on a lack of capacity in provincial authorities.

Merely by its existence, the land law does not guarantee rights for local people, especially when faced with large-scale investors seeking to capitalize on important areas.⁵⁶ Where a large project is deemed to be in the national interest, a decree comes into force to prescribe the process of resettlement.⁵⁷ The law clearly suggests that communities should be consulted, that their full, free, prior and informed consent is needed, and that there should be a participatory approach to implementation, but precise processes and protocols were still not defined in the 2000 regulations and subsequent decrees.

Throughout the last decade in Mozambique, there were a series of instances where individuals or communities sold their land assets under poor terms, resulting in disputes. These disputes have been predominantly located around coastal developments, industrial developments, and mining and agricultural megaprojects. Aside from coal (see above), the development of biofuel farms in the Nacala corridor is cited as the largest example of a land-grab.⁵⁸ Given that the overall scale and pattern of investments is unknown, the percentage of land acquisitions that have resulted in a negative social outcome for the displaced or relocated community is also unknown. The potential downsides of

land conflict should not be underestimated. An instructive example from elsewhere in sub-Saharan Africa is the Lamu Port South Sudan Ethiopia Transport Corridor (LAPSSET), which is beset with issues over land ownership and civil rights.⁵⁹ The impact of even small conflicts on the pattern of development is considerable: an oil export terminal planned for Lamu port has been shifted to the Tana river estuary, probably on the basis of land claims and land speculation around Lamu. The investor's decision to avoid civil problems impacts a new community and a new ecosystem, and the government of Kenya will reluctantly agree.⁶⁰

Where communities have been relocated and compensated, they have found that they lack access to food, water and work.⁶¹ Where communities have been relocated to new 'planned and serviced' villages, the farming families that traditionally lived from their land assets have become tied into the obligation to pay for food and water in clear contravention of the resettlement regulations.⁶² It is clear that the lessons that produced the International Finance Corporation's (IFC) Performance Standards 5 and 4 have not been learned, and that these standards are not being applied.⁶³

By 2014 the UN Special Rapporteur on extreme poverty and human rights noted concern over:

reports that some megaprojects have led to so-called land grabbing, whereby large areas of land are bought up from smallholder farmers by mining companies, allegedly with the approval of the State, leading to forced displacement and destroyed livelihoods.⁶⁴

'[A]pproval of the state' essentially points to the perceived collusion between the state and the private sector. Between 2003 and 2010 the problems in the Nacala corridor grew steadily when large commercial investors in agrofuels took over significant tracts of land with a lack of public engagement and transparency, and with a disregard for local culture and practices. In one instance, a 30,000 hectare sugarcane/ethanol project in Gaza province (located between Massingir and Chokwe towns)

⁵⁶ The G6-funded iTC was clear on this. See Effective Development Group, GRM International and the QED Group (2014), 'Evaluation of the Mozambique Community Land Use Fund: Final Report 2013.' <https://www.gov.uk/government/publications/evaluation-of-the-mozambique-community-land-use-fund>.

⁵⁷ Conselho de Ministros (2012), 'Regulamento sobre o Processo de Reassentamento Resultante de Actividades Económicas Aprovado pelo Decreto No 31/2012 de Agosto, da Assembleia da República' [Regulations on the resettlement process resulting from economic activities], *Boletim da República*, No. 32, Series 1.a, Suplemento, (Maputo: Imprensa Nacional de Moçambique).

⁵⁸ Ribeiro, Daniel and Nilza Matavel (2009), 'Jatropa! A Socio-economic pitfall for Mozambique' (Mozambique: Justiça Ambiental! & União Nacional de Camponeses); FIAN International (2010), 'Land grabbing in Kenya and Mozambique: A report on two research missions and a human rights analysis of land grabbing'; Matavel, Nilza, Sílvia Dolores and Vanessa Cabanelas (2011), 'Lords of the Land – Preliminary Analysis of the Phenomenon of Land Grabbing in Mozambique' (Maputo: Justiça Ambiental & União Nacional de Camponeses).

⁵⁹ Sena, Kanyinke (2012), 'Lamu Port-South Sudan-Ethiopia Transport Corridor (LAPSSET) and indigenous peoples in Kenya', International Working Group on Indigenous Affairs, http://www.iwgia.org/iwgia_files_publications_files/0599_LAPSSET_report.pdf; Opiata, Odindo (undated), 'Spotlight on the LAPSSET Project', <http://www.hakijamii.com/publications/Lapsset.pdf>.

⁶⁰ Field research, November–December 2014.

⁶¹ Human Rights Watch (2013), 'What is a House without Food?.'

⁶² Ibid.

⁶³ International Finance Corporation (2012), 'Performance Standard 5: Land Acquisition and Involuntary Resettlement'; 'Performance Standard 4: Community Health, Safety, and Security'.

⁶⁴ 'Report of the Special Rapporteur on extreme poverty and human rights, Addendum: Mission to Mozambique', A/HRC/26/28/Add.1, 4 June 2014.

was sited on productive communal grazing land held by communities that had already been relocated out of the Limpopo national park. When the communities protested, the company involved (ProCana) bought access to nearby grazing land for them, but it then transpired that this land was already allocated to another community as a conservation park.⁶⁵

A significant number of investors in land are either ignorant of best practice or seek to ignore it. There is an argument that if Mozambique required that all investors and developers work to international best practice, they might move to easier, simpler and less-regulated environments. This is spurious, since Mozambique will benefit most from investment for the long term that is secure, legitimate and free from local conflict.⁶⁶ But a consistent level of performance requires:

- A consistent level of monitoring, encouragement and advice over the implementation of best practice;
- A much broader understanding of land rights, land values and consequences among rural people *living in areas likely to be developed*; and
- A single approach to the private sector, regardless of scale, urgency or backing.

A comparable case is Ghana, which is, like Mozambique, seen by some as a model of good governance and progressive reform. As in Mozambique, traditional community leaders and local government officials in Ghana have a direct interest in selling land rights to foreign investors, while those beyond the primary negotiations (local farmers) are excluded and subsequently lose their livelihoods. Some companies negotiated openly with local farmers and promised compensation, but farmers were unable to secure this. Without individual land titles and rights, Ghanaian farmers were powerless to fight the land acquisitions.⁶⁷ Under normal circumstances, the primary arbiter is the family head or chief; but these people are frequently involved in the land sale.⁶⁸ Formal legal redress is seldom sought, and is prohibitively expensive

for all but the more affluent stakeholders.⁶⁹ By 2010 – and under an attractive investment regime – 37 per cent of Ghanaian farmland was under foreign ownership by companies investing in biofuels. Five years later, growth in the biofuels market is slowing, as the US ethanol mandate is lowered and growth in the global economy remains slow. The ‘fast’ corporate actors in Ghana are now backtracking and examining ways of increasing production and lowering liabilities by encouraging producers to work with the government in negotiating prescribed obligatory purchases. Thus, even without looking at worst-case examples where land rights have failed to protect local people’s interests, such as Liberia or Côte d’Ivoire, the implications for Mozambique are clear.

Access to justice

Mozambique established a legal-aid capacity with the opening in 2008 of the Legal Aid Institute (IPAJ) based in Eduardo Mondlane University in Maputo, with funding from the Open Society Foundation and the US Agency for International Development (USAID). This body subsequently opened offices in four provinces, including Zambézia and Nampula.⁷⁰ Its activities were aligned with the Integrated Strategic Justice Plan for 2009–12. Additionally, there is now an Institute for Access to Justice under the auspices of the Mozambican Bar Association. A core aim of IPAJ was to bolster land rights, but its efforts have not matched the requirement for large-scale education on constitutional rights and the application of land law.⁷¹ People on remote farmland are at significant disadvantage because of lack of access to law and relatively poor primary courts.⁷² As a result, recourse to traditional law, mediation and resolution persists – and can bring people into conflict with the authorities.⁷³

Access to law attracts donor interest, with support for rural legal services high on the agenda of the UN Development Programme (UNDP), the International Fund for Agricultural Development, the UN Food and Agriculture Organization, USAID and others.

⁶⁵ Ribeiro and Matavel (2009), ‘Jatrophal’.

⁶⁶ A comprehensive analysis of the issues is provided in Oakland Institute (2011), ‘Understanding land investment deals in Africa: Country Report: Mozambique’, http://www.oaklandinstitute.org/sites/oaklandinstitute.org/files/OI_country_report_mozambique_0.pdf.

⁶⁷ Campion, Benjamin Betey and Richmond Antwi-Bediako, ‘The seed fuel wars of Africa: Biofuel conflicts in Ghana and Ethiopia’, The Broker Online, 5 November 2013, <http://www.thebrokeronline.eu/Articles/The-seed-fuel-wars-of-Africa>.

⁶⁸ This is exactly the position that a Regulo [traditional chief and spiritual leader] takes in Mozambique.

⁶⁹ Kaiser Hughes, Ailey, Kelsey Jones-Casey and Anna Knox (January 2011), ‘Pressures on Land from Large-Scale Biofuel Production in Ghana’, Focus on Land in Africa, www.focusonland.com/download/521f246ba7890/.

⁷⁰ IPAJ officials and legal and paralegal personnel are present in 120 of the 128 districts. A plan was established with a view to expanding coverage to the entire territory by the end of 2013.

⁷¹ UN Human Rights Council (2010), National Report submitted in accordance with paragraph 15(a) of the annex to Human Rights Council resolution 5/1 Mozambique, A/HRC/WG.6/10/MOZ/2, para. 43, 21 October 2010.

⁷² Hilhorst and Porchet (2012), ‘Mozambique’, p. 5.

⁷³ Ibid., p. 9.

Regional asymmetry in development and investment

Since 1995 Mozambique has consistently produced the second highest year-on-year GDP growth rate among the non-oil-exporting countries of sub-Saharan Africa, and yet its overall poverty rate has worsened.⁷⁴ This rose from 54.1 per cent in 2003 to 54.7 per cent in 2010.⁷⁵ In Rwanda, the other non-oil-exporting country with a high GDP growth rate, the rate of poverty fell by 12 percentage points between 2000 and 2012.⁷⁶

At the same time, a distinct urban elite has emerged, especially in Maputo. Mozambique's major cities experienced an overall increase in population (through inward migration) of around 32 per cent between 1997 and 2007. Tete, Quelimane, Nampula and Matola experienced growth of over 45 per cent. Over the same period, within Maputo the population of Kampfumo *decreased* by 45 per cent. Kampfumo is the old colonial heart of the capital and contains many imposing villas. In 1997, many of these were still occupied by poor people who had lived there since independence in 1975, but a steady process of gentrification has since pushed them out into the *bairros* (suburbs – in effect often slum or high-density informal housing areas) – Matola having grown to be the largest of these.

Although donors have significantly supported poverty-reduction plans, recent evaluations suggest that less than half of objectives have been reached.⁷⁷ The UNDP Human Development Index for 2013 ranked Mozambique 178th out of 187 countries, and pointed to a worrying level of regional disparity within the country.⁷⁸

There are very different poverty rates within Mozambique. There are marked differences at the provincial level (see Table 4 and Map 3), but the most significant ones are at district and sub-district *bairro* level where what matters for policy is changes in poverty over time. The biggest differences are between rural and urban areas, and increasingly within urban areas (while rural areas are relatively homogeneous). While the province of Cabo Delgado's poverty rate nearly halved between 2002–03 and 2008–09, poverty in Sofala and Zambézia provinces increased very substantially over the same period.

Table 4: Estimated consumption poverty rates⁷⁹

	2002–03	2008–09	% change
National	54.1	54.7	1.1
Urban	51.5	49.6	–3.7
Rural	55.3	56.9	2.9
Niassa	52.1	31.9	–38.8
Cabo Delgado	63.2	37.4	–40.8
Nampula	52.6	54.7	4.0
Zambézia	44.6	70.5	58.1
Tete	59.8	42.0	–29.8
Manica	43.6	55.1	26.4
Sofala	36.1	58.0	60.7
Inhambane	80.7	57.9	–28.3
Gaza	60.1	62.5	4.0
Maputo province	69.3	67.5	–2.6
Maputo city	53.6	36.2	–32.5

Source: Arndt, Channing et al. (2012), 'Explaining the Evolution of Poverty: The Case of Mozambique', *American Journal of Agricultural Economics*, Vol. 94, Issue 4, pp. 854–872.

Despite the enormous gains it has made, Mozambique remains very fragile. Natural disasters – such as the recent floods, which destroyed 650 km² of cropland in the provinces of Zambézia and Nampula – take a huge toll on the country's ability to feed itself. The concerns are not merely developmental. Decades-old political tensions remain at the heart of the imbalance, especially with central Mozambique and parts of north having consistently voted at elections for RENAMO.

From a conflict perspective, and in light of the bread riots of 2008 and 2010, perhaps the critical feature is access to food. As noted by one study: 'The real cause of food insecurity ... is high urban unemployment and a lack of regular and decent-paying work.'⁸⁰

Employment and investment in business then become core features of the dynamics between conflict and regional disparities. In the urban context, access to a steady, albeit usually low, wage income is the essential factor that allows households to escape poverty and food insecurity.⁸¹

⁷⁴ The highest growth rate in 1995–2010 was, by a considerable margin, in Rwanda. In IMF (2014), 'Mozambique Rising: Building a New Tomorrow', p. 56.

⁷⁵ Instituto Nacional de Estatística (2010), 'Relatório Final do Inquérito ao Orçamento Familiar – IOF 2008/09' [Family budget survey: final report].

⁷⁶ DFID Rwanda (July 2012), 'Growth and Poverty Reduction Grant to the Government of Rwanda (2012/13–2014/15)', Business Case, V. 3.6.

⁷⁷ Social Watch (2011), 'Mozambique: an irresponsible administration', in *Social Watch Report 2012 – Sustainable Development: The Right to a Future* (Montevideo: Social Watch), p. 143.

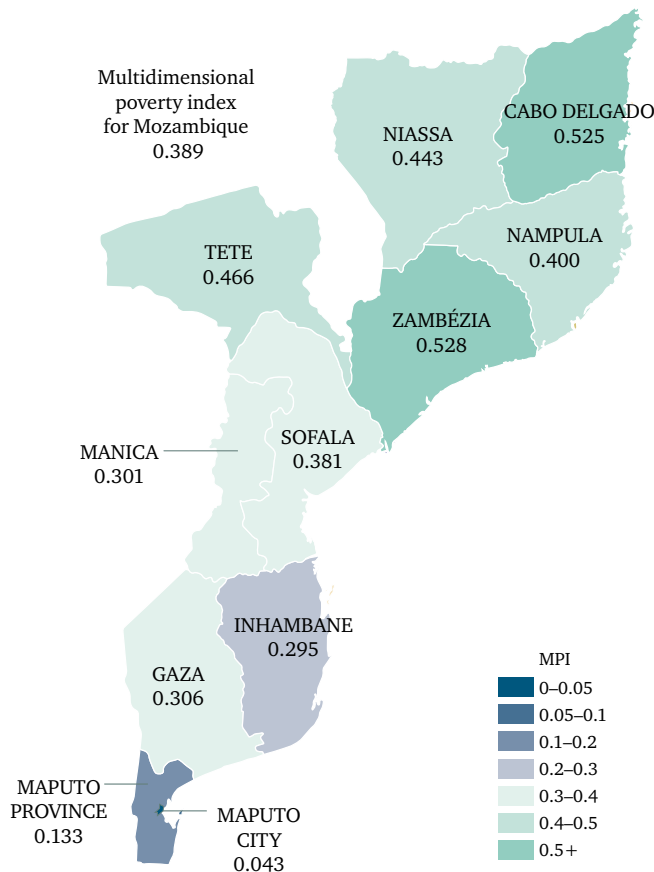
⁷⁸ Oxford Poverty and Human Development Initiative (2015), 'OPHI Country Briefing January 2015: Mozambique', Multidimensional Poverty Index Data Bank, (University of Oxford: OPHI).

⁷⁹ A weighted calculus of food and non-food consumption at household level. See Ministério da Planificação e Desenvolvimento – Direcção Nacional de Estudos e Análise de Políticas (2010), 'Poverty and Well-Being in Mozambique: Third National Assessment' (Maputo).

⁸⁰ Raimundo, Ines, Jonathan Crush and Wade Pendleton (2014), 'The State of Food Insecurity in Mozambique', *Urban Food Security Series*, No. 20, AFSUN p. 26.

⁸¹ *Ibid.*, p. 15.

Map 3: Multidimensional Poverty Index rates by province, 2014



Source: Oxford Poverty and Human Development Initiative (2015).

The government's emphasis on megaprojects may suggest that development is being spread widely throughout the country, but an analysis of foreign direct investment (FDI) suggests otherwise. In 2014 50 new foreign-funded projects were recorded, with combined assets of \$8.8 billion, creating 10,856 new jobs. Between 2009 and 2014 FDI totalled more than \$30.98 billion, resulting in 34,829 new jobs. Over the same period the city of Maputo accounted for nearly 25 per cent of all FDI into Mozambique, reflecting a huge shift to investment in real estate and high-value

buildings. Despite this, the city (as distinct from Maputo province) ranked fifth among the provinces in the number of jobs created, with only 1,612 new formal jobs in 2014.

According to one source:

Beira, Mozambique's second largest city, recorded the greatest number of new jobs in the period, 185.55% more than Maputo. The coal, oil and natural gas sector attracted the highest amount of inward capital of all sectors between 2010 and 2013, with a total of \$13.85bn invested. *However, 2014 witnessed a reversal for the first time in several years, with real estate emerging as the dominant sector, responsible for \$7.64bn more investment than the coal, oil and natural gas sector* [report authors' italics].⁸²

By comparison, aid inflows between 2002 and 2012 amounted to \$2–2.3 billion, or 9–10 per cent of GDP.⁸³

The years from 2002 to 2012 were dominated by the strong involvement of the G19 group of donors and the development of megaprojects.⁸⁴ Throughout, the government's economic and social policies were guided by overarching plans, including the second Action Plan for the Reduction of Absolute Poverty (PARPA II) covering 2006–09 and the Action Plan for Poverty Reduction (PARP) covering 2011–14.⁸⁵ In recognition of the persistent levels of poverty among the majority rural population, the focus of the third plan was to increase production and productivity in agriculture, promote employment and foster human and social development. In 2011 donor aid constituted around 45 per cent of the government's budget. Despite this strong support, and the emphasis on pro-poor development and governance, those years were also characterized by a strong focus on megaprojects – a trend that is still gaining in scale and importance. Mozambique's current account deficit, standing at over 46 per cent in 2014, is predominantly offset by FDI, primarily into coal and gas developments.⁸⁶

Prior to 2011, FDI inflows ran at around \$800 million a year. That year, following the discovery of commercial volumes of natural gas, FDI increased to \$2 billion. The development of a single gasfield in the Rovuma basin with primary phase liquefaction trains will cost \$10–15 billion, spread over four-to-five years. How this level of investment is managed will be highly indicative of how Mozambique's political economy evolves in the medium term.

⁸² Porter, Jonathan, 'Mozambique enjoys year-on-year growth in FDI', *FDI Intelligence*, 16 March 2015, <http://www.fdiintelligence.com/Trend-Tracker/Mozambique-enjoys-year-on-year-growth-in-FDI?ct=true>.

⁸³ 'Foreign aid has played a crucial role in supporting Mozambique's public investment and development projects, financing about one-third of the budget'. IMF (2014), 'Mozambique Rising', p. 116; and Organisation for Economic Co-operation and Development, 'Aid at a glance charts', <http://www.oecd.org/countries/mozambique/aid-at-a-glance.htm#recipients>.

⁸⁴ IMF (2014), 'Mozambique Rising.' The G19 are a set of programme aid partners comprising the African Development Bank (ADB), Austria, Belgium, Canada, Denmark, the European Commission, Finland, France, Germany, the Netherlands, Ireland, Italy, Norway, Portugal, Spain, Sweden, Switzerland, the United Kingdom and the World Bank. The UN and the United States are associate members.

⁸⁵ IMF (June 2011), 'Republic of Mozambique: Poverty Reduction Strategy Paper.' [<http://www.imf.org/external/pubs/ft/scr/2011/cr11132.pdf>].

⁸⁶ World Bank, 'Mozambique Overview', <http://www.worldbank.org/en/country/mozambique/overview>.

Mozambique's experience with megaprojects has not been without significant criticism. Constructed in two phases between 1998 and 2003, Mozal was the first post-war megaproject, with foreign investors attracted by generous fiscal incentives and access to low-cost electricity. In a strongly critical report published at the end of 2012, the Tax Justice Network and Friends of the Earth Mozambique claimed that for every dollar being paid by Mozal to the government, \$21 left the country in profit or interest to foreign governments and investors.⁸⁷

Putting these distortions into context, the IMF stated in 2014 that 'Though macroeconomic policies largely remain prudent, the structural reform agenda is long and unfinished, and capacity-building needs are pervasive.'⁸⁸

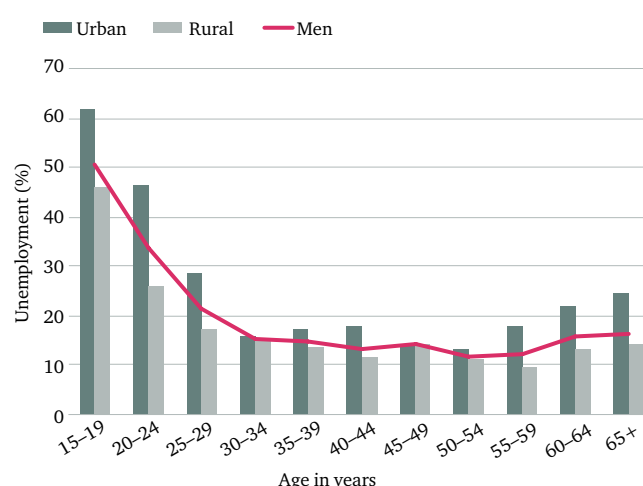
Youth and unemployment

Challenges related to unemployed and underemployed youth, particularly in the urban areas identified in a 2010 Chatham House report,⁸⁹ seem to have been a critical factor in the 2008 and 2010 riots. They have not diminished, and remain a risk for the coming years. Still only 10 per cent of Mozambicans are formally employed and, however one defines the division between formal and informal sectors, the latter is vast. There seems to be recognition of the problem at the political level. In 2014 the government and its international partners organized a two-day conference, called the National Dialogue on Employment, to address the combination of a growing young population, high unemployment, poverty, and a poorly structured educational and technical training system. The conference issued a number of concrete recommendations that are meant to serve as input for a result-focused national roadmap that would inform the government's overriding policy-making framework for job creation.⁹⁰ The main focus of the new Minister of Work, Employment and Social Security is to create jobs, and following up on the recommendations of the action plan would be a good start.

That action is urgently needed has been reconfirmed by the new household survey data released in February 2015.⁹¹ This shows that only 23.4 per cent of young people aged between 15 and 24 years living in urban areas are

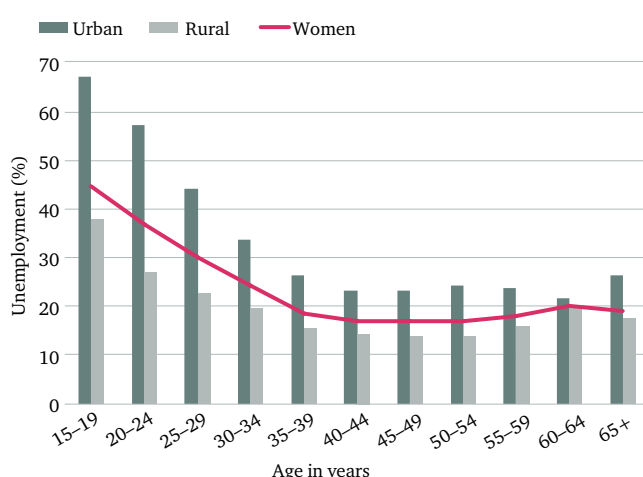
employed.⁹² Employment rates are more than twice as high in rural areas because the survey includes subsistence farming as employment. Data on unemployment by age group, gender and areas of residence in Figures 4 and 5 illustrate how severe the situation is for people under the age of 25.

Figure 4: Urban vs rural male unemployment



Source: Instituto Nacional de Estatística (February 2015).

Figure 5: Urban vs rural female unemployment



Source: Instituto Nacional de Estatística (February 2015).

⁸⁷ Justiça Ambiental de Moçambique, Jubilee Debt Campaign UK and Tax Justice Network (December 2012), 'Whose development is it? Investigating the Mozal aluminium smelter in Mozambique', http://issuu.com/dropthebt/docs/whose_development_is_it/3.

⁸⁸ IMF (2014), 'Mozambique Rising', p. 8.

⁸⁹ Astill-Brown, Jeremy and Weimer, Markus (August 2010), 'Mozambique: Balancing Development, Politics and Security', Chatham House Africa Programme Report, pp. 4-6, <http://www.chathamhouse.org/publications/papers/view/109462>.

⁹⁰ UN Mozambique, 'Dialogue on Employment', <http://mz.one.un.org/eng/News-and-Events/News-Features/Materials-from-National-Dialogue-on-Employment-in-Mozambique>.

⁹¹ The Instituto Nacional de Estatística [National Statistics Institute] is carrying out a continuous and integrated Household Survey of Family Budgets (*Inquérito aos Orçamentos Familiares*). The survey was initiated in August 2014 and is expected to be complete in July 2015, but some indicators will be published quarterly, with the first quarterly bulletin presenting indicators on employment and unemployment.

⁹² Instituto Nacional de Estatística (February 2015), 'Inquérito aos Orçamentos Familiares IOF – Iº Trimestre (Agosto a Outubro 2014)', *Boletim Trimestral*, p. 20.

For men, the national unemployment rate is more than 35 percentage points higher in the group of 15–19 year-olds, than in the group of 35–39 year-olds. There are also marked differences between the level of unemployment in rural and urban areas, with the latter much higher, particularly for the young and old at the margins. As noted, the rural figures are influenced by the fact that formal and informal employment are included, with subsistence agriculture in rural areas a big factor. This is even more marked when looking at the data on women. Women appear to suffer more as a result of urbanization, as the unemployment rate across all age groups is markedly higher for women and extreme among 15–29 year-olds. Among urban women, unemployment for those aged 15–19 is more than 40 percentage points higher than for those aged 40–44, while the difference is less marked among women in rural areas. Increased urbanization over the coming years must be expected to exacerbate the challenges highlighted by these figures.

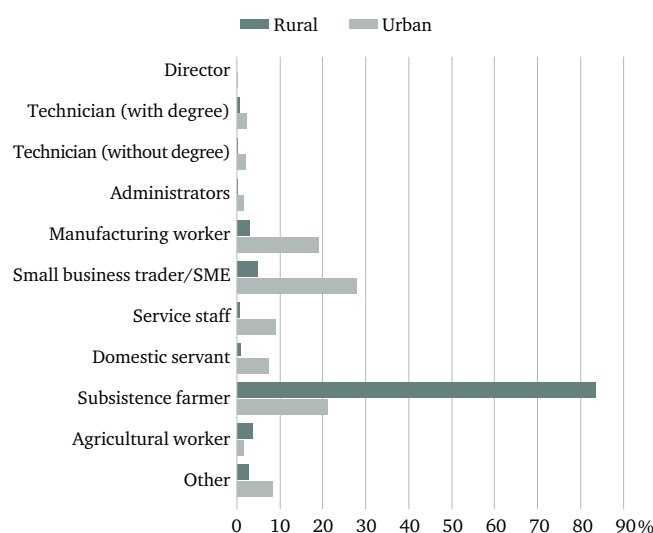
The household survey also provides details about the sectors where people are employed (see Figure 6). As

expected, farming (83 per cent) is by far the dominant type of occupation in the rural areas, followed by small traders (4.7 per cent) and agricultural workers (3.7 per cent).

In urban areas, the type of occupation is more mixed, with small traders (27.8 per cent) being the largest group. Notably, almost one-fifth of employment is in farming (21 per cent), which exceeds the percentage employed in non-agricultural work (19 per cent).

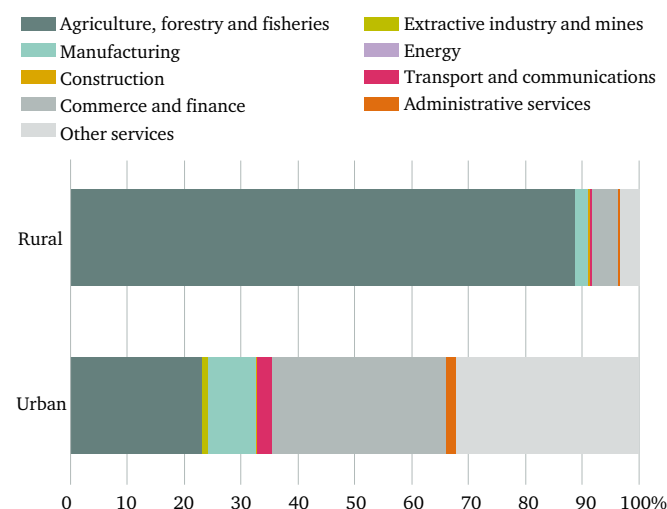
Figure 7 shows which sectors provide employment, with agriculture again the main provider nationwide. Key sectors such as construction, energy and mining clearly provide very little employment. There is potential for increasing employment in construction related to major infrastructure investments, as in energy generation if investments proceed in that sector. The mining sector is clearly underperforming in providing jobs. Even in the coal-rich province of Tete, it provides only 0.6 per cent of jobs, while 90 per cent of the labour force (7 percentage points more than the national average) are employed in agriculture.

Figure 6: Urban vs rural employment for 15–24 year-olds by type and area



Source: Instituto Nacional de Estatística (February 2015).

Figure 7: Employment by sector and area



Source: Instituto Nacional de Estatística (February 2015).

3. Political Settlement

Mozambique is often classified as an incomplete hybrid democracy.⁹³ This has become more apparent with the return of armed confrontation between the government and RENAMO in 2013–14, and of political violence at election time. Mozambique's fifth national elections, in October 2014, were characterized by distrust between the main political parties, a partisan police force, irregularities in the election process and insufficient preparation by the opposition parties to oversee the conduct of the polls. In addition, there was a large imbalance in financial resources available for campaigning. The governing FRELIMO ran its most expensive campaign to date, and enjoyed backing from the state media – with only a few private outlets supporting the opposition.⁹⁴ According to the European Union Election Observation Mission: 'The advantage of the ruling party over its adversaries through the use of material and human resources of the state resulted in an uneven playing field.'⁹⁵ That RENAMO had not disarmed before the elections also 'bore an influence on the electoral campaign'.⁹⁶

All political parties claim custodianship of the country's democracy. RENAMO's leader, Afonso Dhlakama, campaigned as the 'father of democracy', while FRELIMO claimed the mantle of independence and subsequent democracy.⁹⁷ The Democratic Movement of Mozambique (MDM) branded the municipalities it won in 2013 as 'the free zones'. However, all parties share responsibility for the incomplete state of Mozambique's democracy. Regular changes to the electoral law and repeated post-election deadlocks illustrate the frailty of the state and its superficial democratization. The elite bargains of the 1992 and 2014 accords between FRELIMO and RENAMO have failed to ensure a sense of inclusiveness among non-FRELIMO political elites.

Mozambique's political architecture, such as its electoral rules, elections, constitution and decentralization model, are all important for stability. But they need underpinning by an inclusive politics that key opposition players buy into. FRELIMO also needs to make concessions that go beyond the agreement of political rules merely for the sake of stability.

Since 1994 the two main parties have constantly changed the electoral rules. Sometimes this was encouraged by international partners, but mostly it was because of specific requirements from the parties, such as the 2014 RENAMO demand for parity in political appointments to the electoral administration. A lack of consensus among the main parties around the rules of a democratic regime has not helped

overcome the frailty of political institutions and processes. Persistent mistrust, combined with flawed elections, illustrates that despite the civil war having ended more than two decades ago, reconciliation is far from accomplished, and democratization is a long-term project.

The 2014 elections demonstrated that RENAMO and FRELIMO could control their supporters, with only isolated violent incidents recorded.⁹⁸ Given that the elections followed 18 months of targeted armed violence, this was an achievement and shows that peace can prevail when there is political will. But electoral participation, at just under 49 per cent, did not increase significantly from that in 2009; in 1994 turnout was some 88 per cent. Similarly, as after previous elections, the judiciary rejected opposition claims of irregularities on procedural grounds, such as vote counting and tabulation; none the less, there were clearly irregularities – although significant evidence has not been provided to show that these were on a scale that had affected the overall outcome of FRELIMO presidential and parliamentary victories. The opposition parties did not provide credible evidence of widespread fraud, despite having deployed electoral observers across the country. The EU Election Observation Mission concluded that the 'opposition parties were unprepared and lacked organization and capable party structures to fully implement and benefit from the new [electoral] arrangement' that RENAMO had pushed for.⁹⁹ The result is suspicion, conspiracy and allegation, and this has contributed to deepening political suspicion between FRELIMO and opposition parties. Lessons from the 2014 elections are that the electoral legislation should be amended to provide a clear system of complaints and appeals, and that judges, electoral managing bodies and political parties need training in how to use these procedures. There also needs to be efficient training in counting and tabulation procedures.

RENAMO has rejected all election results since 1994, with the 1999 and 2009 elections being particularly controversial. The perception of unfairness and irregularities in elections is therefore not new, but on this latest occasion, owing to the 2013–14 outbreak of armed violence, it was important for reconciliation that the electoral process was at least perceived to be better than it has been in the past. This did not occur, and stands in contrast with the elections in 2014 and 2015 in neighbouring Malawi and Zambia, where the electoral process and institutions were credible and showed independence.

⁹³ See for example Economist Intelligence Unit (March 2015), 'Mozambique', p. 4.

⁹⁴ The EU Election Observation Mission's final report noted that FRELIMO and Nyusi received a greater proportion of media coverage on state television channels than other candidates, and it accused the state-run Televisão de Moçambique (TVM) of being in breach of Article 11 of the country's press law. See EU Election Observation Mission (2014), 'Mozambique: Final Report – General Elections, 15 October 2014'.

⁹⁵ *Ibid.*, p. 4.

⁹⁶ *Ibid.*

⁹⁷ 'Dhlakama arrives in Zambézia', AIM, 27 September 2014, <http://allafrica.com/stories/201409280033.html>.

⁹⁸ EU Election Observation Mission (2014), 'Mozambique'.

⁹⁹ *Ibid.*

RENAMO's strong performance, with Dhlakama winning a majority of the vote in five provinces (Nampula, Zambézia, Tete, Manica and Sofala) was surprising, not least because of the party leader's late start to campaigning.¹⁰⁰ Election campaigning began on 31 August 2014 and ran for 45 days, but Dhlakama began on 16 September in Chimoio. Despite this, RENAMO rallies were impressive, attracting large crowds. RENAMO realized not only that targeted violence forced FRELIMO into negotiations, but also that voters rewarded it for this. Youth attended RENAMO rallies in large numbers, and it seems they were attracted by the party offering an anti-establishment alternative, especially as FRELIMO officials are increasingly seen as self-enriching and not concerned with the poor.

RENAMO's good showing has strengthened Dhlakama's position in the party and there are no longer calls for him to step down. RENAMO also believes that calculated armed violence has restored greater parity with FRELIMO, brought about concessions and marginalized the threat posed by MDM.

MDM

Given its success in the 2013 municipal elections, its subsequent performance has led to MDM being seen as a loser in 2014. Yet the party doubled its number of parliamentarians, becoming the first outside the big two to retain a parliamentary presence over two elections. MDM was FRELIMO's main target, but its performance was also dented by RENAMO's re-emergence and by tactical mistakes. Notably, MDM failed to put candidates from its main support base – the poor and urban youth – on its lists for the provincial and national assemblies, instead fielding well-educated youth candidates who did not reflect its electorate in the slums. There were also some instances of apparent nepotism – such as in Zambézia, where Quelimane mayor Manuel de Araujo included two of his brothers as candidates.

Created in 2008, MDM is led by Daviz Simango, who was expelled from RENAMO for allegedly violating party statutes when he decided to run as an independent in local elections after Dhlakama favoured another candidate. First elected mayor of Beira in 2003, Simango, who has a reputation for efficiency, was re-elected on the MDM ticket in 2008 and 2013.

Offering an alternative to the main parties, MDM was stopped from taking part fully in the 2009 legislative elections. The National Election Commission prevented it from fielding candidates in seven of 11 constituencies

for allegedly failing to conform to regulations, a decision seen by many observers as politically motivated.¹⁰¹ Despite the legal obstacles in its way, MDM still won eight seats in 2009. The election in 2011 of de Araujo (an ex-RENAMO supporter) as MDM mayor in Quelimane was another important gain.¹⁰²

Table 5: Presidential election results, October 2014

Candidate	Number of valid votes	% of votes cast
Filipe Nyusi (FRELIMO)	2,803,536	57.0
Afonso Dhlakama (RENAMO)	1,800,448	36.6
Daviz Simango (MDM)	314,759	6.4

Source: Constitutional Court Judgment 21/CC/2014, 29 December 2014.

Table 6: Legislative election results by province, October 2014

Province	FRELIMO	RENAMO	MDM	Total seats
Niassa	7	6	1	14
Cabo Delgado	19	3	0	22
Nampula	22	22	3	47
Zambézia	18	22	5	45
Tete	11	10	1	22
Manica	8	8	0	16
Sofala	8	10	3	21
Inhambane	12	2	0	14
Gaza	14	0	0	14
Maputo province	12	3	2	17
Maputo city	11	3	2	16
Africa	1	0	0	1
Rest of the world	1	0	0	1
Total seats	144	89	17	250

Source: Constitutional Court Judgment 21/CC/2014, 29 December 2014.

RENAMO boycotted the municipal elections of 2013, and MDM won four of the 53 contested municipalities, as well as securing 40 per cent of the votes in Maputo city and its populous satellite city Matola. MDM mayoral candidates were elected in the provincial capitals of Beira, Quelimane and Nampula.

If FRELIMO and RENAMO feared MDM electorally, the 2014 elections results have reduced that anxiety. The challenge for MDM is to demonstrate that it can deliver services and be efficient at local government level while offering a new politics at the national level, especially to the emerging urban middle class. The experience in the provincial assemblies will show for the first time whether

¹⁰⁰ With FRELIMO's knowledge, RENAMO was provided with resources via the mediators to charter an aircraft to enable Dhlakama campaign nationwide. Dhlakama also claimed Niassa as a RENAMO win, although Nyusi won a majority there in the presidential election.

¹⁰¹ Astill-Brown and Weimer, 'Mozambique', p. 8.

¹⁰² Vines, Alex (2013), 'Renamo's Rise and Decline: The Politics of Reintegration in Mozambique', *International Peacekeeping*, Vol. 20, No. 3, pp. 375–93.

MDM and RENAMO can cohabit and are willing to work together, or whether antagonism will prevail. During the 2013 municipal elections, for example, RENAMO supporters assisted MDM in Quelimane.

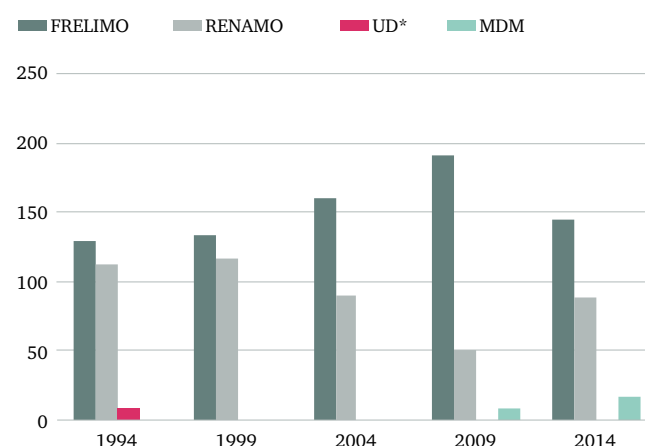
The Assembly of the Republic

The 2014 legislative elections saw FRELIMO win 144 seats, RENAMO 89 and MDM 17.¹⁰³ FRELIMO therefore has a majority enabling it to pass legislation without having to negotiate with others, except for any constitutional change. Parliament operates by proportionality in almost all matters – from time allocated to the parliamentary groups to take the floor, to the distribution of seats in committees.¹⁰⁴ According to standing orders, there are eight parliamentary committees comprising between five to 15 members.¹⁰⁵ On past practice, parliament will appoint the maximum number allowed, and it can also establish more committees. The work of the committees makes parliament a more visible player in the country's governance, but following the elections there are many new MPs whose ability to provide oversight and accountability will depend on encouragement by their party leadership and training.

The next five years should see a parliament similar to those of 1994 and 1999 in terms of party participation. This is an improvement on the 2009 parliament that FRELIMO totally dominated and which turned into a rubber-stamp institution. The new parliament could be different. A window for international partners to support strengthening parliament may open, but the past record in this respect is not auspicious. Much will depend on whether there is encouragement for more democratic practice from the leadership of FRELIMO and RENAMO, and whether space opens for parliamentarians

to break with party-line divisions. This will only occur if FRELIMO and RENAMO relations improve, and if President Nyusi and the FRELIMO leadership are politically brave enough to empower parliament and its committees to start holding the executive to account.

Figure 8: Parliamentary seats (1994–2014)



* Democratic Union.

Source: Comissão Nacional de Eleições de Moçambique (2014).

Provincial assemblies

In the longer term, the provincial assemblies may also play a role in enhancing accountability. They were introduced in 2009; and following the 2014 elections, RENAMO for the first time has a majority in the Sofala, Tete and Zambézia assemblies. The provincial assemblies lack real powers, but could present a challenge to FRELIMO if further authority were to be devolved to them (see below).

Table 7: Composition of provincial assemblies, 2009 and 2014

Province	2009				2014		
	FRELIMO	RENAMO	MDM	PDD*	FRELIMO	RENAMO	MDM
Cabo Delgado	73	8	–	–	67	14	1
Gaza	80	–	–	–	69	–	1
Inhambane	80	–	–	–	58	11	1
Manica	61	19	–	–	40	39	1
Maputo province	75	5	–	–	59	12	9
Nampula	77	12	2	–	46	46	1
Niassa	66	2	2	–	42	34	4
Sofala	59	1	20	–	30	45	7
Tete	70	10	–	–	37	42	3
Zambézia	58	31	–	1	37	51	4

* Party for Peace, Democracy and Development.

Source: Conselho Constitucional (2014); Comissão Nacional de Eleições (2014).

¹⁰³ Conselho Constitucional (2014), 'Acórdão no. 21/CC/2014, de 29 de Dezembro'.

¹⁰⁴ For an analysis of how parliament works, see Azevedo, Elisabete (2013), *De Inimigos a Adversários políticos? Assembleia da Republica de Moçambique* [From Enemies to Political Adversaries? The Assembly of the Republic of Mozambique] (Leya Moçambique).

¹⁰⁵ Ibid.

President Nyusi and his government

Since independence in 1975, the presidencies of the republic and of FRELIMO have been held by the same person. This was briefly not the case in early 2005 when Guebuza was sworn in as president of the republic and former president Joaquim Chissano was still at the head of the party. The Chissano–Guebuza transition was not smooth, with the two men not talking directly to each other for a while and using intermediaries to convey messages. This was a benign transition, however, compared with the bruising power struggle between Guebuza and Nyusi after the 2014 elections.

President Nyusi was elected with 57 per cent of the national vote, after uniting the different FRELIMO factions and despite being belittled as Guebuza's protégé. His campaign, promising an era of change combined with continuity, was backed not only by the Guebuza camp but also by the factions led by Chissano, Graça Machel, Oscar Monteiro and Luísa Diogo. In his capacity as party president, Guebuza continued to influence the government following Nyusi's inauguration as state president in January 2015. Elected at FRELIMO's 10th congress in 2012, Guebuza could have remained in post until the 11th congress in 2017. After a three-month power struggle, however, Guebuza resigned as party president at the end of the party's central committee meeting on 29 March, and Nyusi was elected to succeed him. A quick solution was needed as government decision-making and proposed reforms were being slowed down by the two-headed leadership structure. Negotiations with RENAMO were also impacted. For the first time, FRELIMO has a president who is not a former 'liberation fighter', and who is from the north.¹⁰⁶

Nyusi was always likely to prevail in the transition, as the constitution gives full power to the president of the republic, ensuring that any incumbent can govern without interference. Additionally, FRELIMO's record of presidential succession shows no one is irreplaceable. Hailing from Cabo Delgado brings two other advantages to Nyusi: its concentration of natural gas resources; and its links to and sponsorship by the region's party chiefs such as the veteran General Alberto Chipande. (Chipande is closely associated with FRELIMO's anti-colonial struggle.) But in the short term, the power struggle impacted the investment climate and the new government's ability to govern. Time will tell whether Guebuza, who remains a member of the party's central committee, opts to take a back seat in FRELIMO politics.

On paper, Nyusi's new government looks impressive, and more inclusive in terms of provincial distribution and party factions.¹⁰⁷ Only six of the previous 28 ministers have been reappointed. Nyusi avoided the temptation to appoint a larger government to satisfy all interests. Instead, the new administration is technically strong and smaller, with 22 ministers. Only one deputy minister has been appointed per ministry (as against two or three under past practice).

The president performed a balancing act by appointing Guebuza allies to key positions such as transport and communications, foreign affairs, agriculture, and land and rural development. A couple of Chissano allies were also appointed, notably as finance minister and prime minister. It seems there was a serious struggle over the distribution of the posts. Diplomats talk of the eventual cabinet being the third one proposed by Nyusi. There is also a regional balance, with ministers originating from Tete, Niassa, Nampula, Sofala and Cabo Delgado.

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The appointment of Carlos Agostinho do Rosário as prime minister brings into office a career diplomat with strong experience and contacts, particularly with Asian countries. Until his appointment, he was ambassador to Indonesia (also covering Timor-Leste, Malaysia and Thailand), and he was previously ambassador to India. Rosário had also been minister of agriculture and governor of Zambézia.

Nyusi reorganized several portfolios, including giving the finance ministry oversight of the economy portfolio as well. Minister of Economy and Finance Adriano Maleiane was governor of the central bank for 15 years of Chissano's presidency, and is respected within and outside Mozambique. He is also formerly of BNI Bank, and has a reputation for being concerned with fiscal prudence and transparency.

Oldemiro Balói remains at the Ministry Foreign Affairs and Cooperation, a reappointment probably aimed at keeping a balance between Guebuza loyalists and new appointees. There is a new deputy minister, Nyeleti Mondlane, daughter of the country's first president. She is not a diplomat, but brings strong parliamentary and international experience.

¹⁰⁶ Nyusi joined FRELIMO in 1973, at the age of 14, and attended the party school in Tunduru, Tanzania, before independence. He thus had a liberation link that the other two candidates shortlisted by the FRELIMO Political Commission in December 2013, Alberto Vaquina and José Pacheco, lacked. All three come from the centre and north, and are in their 50s. Nyusi won the FRELIMO presidential candidature in 2014 as a compromise candidate among the party factions.

¹⁰⁷ 'Composition of New Government', AIM, 17 January 2015, <http://allafrica.com/stories/201501170454.html>.

Nyusi has kept José Pacheco, who led negotiations with RENAMO, on the agriculture and food security portfolio. Pacheco loses some responsibilities with the creation of a new ministry for land and rural development, which has been entrusted to Celso Correia, a young businessman who comes from the private banking sector and is seen as being in the vanguard of the business interests of the Guebuza family. Correia does not have previous government experience, but his business achievements are widely recognized. The main responsibility of his ministry is the administration of land licences.

The appointment of Pedro Couto as minister of mineral resources and energy was unexpected. He is a technocrat with experience in the ministry of finance, where he was director of studies and recently deputy minister. Couto is known as an advocate of greater assertiveness by Mozambique in the management of its relations with multinationals, financial partners and donors, but at the same time as being conscious of the capacity limitations on natural resource governance.

Minister of National Defence Atanásio Salvador Ntumuke comes from the same ethnic group as Nyusi, which means that policy is most likely to remain under the influence of fellow Makonde politician General Chipande. Ntumuke was trained in the Soviet Union, but also has some background in the United Kingdom. The Minister of the Interior, Jaime Monteiro, is a commissioner of the Police of the Republic of Mozambique (PRM), who also hails from Nampula.

Education minister Luís Ferrão served until his appointment as a university rector and as president of the Association of Portuguese-Language Universities. Known for his dynamism and entrepreneurial attitude, he is also viewed as someone who can take forward essential reforms in primary and secondary education. The choice for the health ministry was Nazira Abdula, promoted from deputy minister. She is a medical doctor with a strong professional record.

The appointment of provincial governors also threw up some surprises. Celmira Silva, a former official in the Ministry of Youth and Sport, was appointed to Cabo Delgado. Her appointment seems to be intended to ensure that the governorship does not impede emerging commercial interests in the province. Helena Taipo, who was labour minister under Guebuza, became governor of the central province of Sofala; she has a reputation for efficiency in FRELIMO – her mandate is clearly to contain

RENAMO and MDM there. The former interior minister, Alberto Mondlane, was appointed governor of the central province of Manica, a decision likewise apparently aimed at containing RENAMO.¹⁰⁸

More inclusive government is a start, but hard decisions will need to be made over combating corruption and the penetration of the state by organized crime.

The creation of ‘super ministries’ – such as Mineral Resources and Energy; Economy and Finance; and Land, Environment and Rural Development – will create efficiencies by pooling resources, but management of these larger departments will be tougher and will depend both on the ability to attract skilled middle management and on having adequate resources.

Since taking office, Nyusi has signalled that he wishes to have a more open presidency and consult more widely. He has already chaired meetings of ministers and deputy ministers to discuss energy, and he has met civil society to seek new ideas on how to manage tensions with RENAMO. His two bilateral meetings with Dhlakama and his agreement to allow a debate on RENAMO’s proposal on decentralization could be promising. Now that he has also succeeded Guebuza as FRELIMO president, Nyusi has an opportunity to strengthen his power base and push for greater reform.

Nyusi has major challenges to confront up to 2018. Most pressing is to adopt sustainable long-term pro-poor strategies, given that growing inequality is threatening Mozambique’s postwar gains. More inclusive government is a start, but hard decisions will need to be made over combating corruption and the penetration of the state by organized crime. There are also questions as to how the government manages its resources and rents, as well as whether Nyusi can introduce more open and transparent processes to enhance accountability in decision-making, and regarding who will benefit. Rural development has been prominent in Nyusi’s policy speeches. Greater effort in confronting rural poverty and inequality is seen by his advisers as a longer-term strategy to reverse FRELIMO’s political decline and win back votes. Nyusi has understood that inequality is the greatest political threat to his party in the long term, and that RENAMO and MDM have gained votes because of this.

¹⁰⁸ ‘Mozambique: President Nyusi Appoints Provincial Governors’, AIM, 19 January 2015.

4. Challenges from Politics

In his decade in power, Guebuza increasingly ignored and made little effort to engage with RENAMO's Dhlakama. The situation was not helped by Dhlakama isolating himself in Nampula from 2010, which further fuelled mistrust (see Box 2). RENAMO has continued to find it difficult to transition from the mentality of a guerrilla movement to that of a political party.

Box 2: RENAMO–government clashes (March 2012–April 2015)

Increasing fragility within RENAMO, poor performance in the 2009 elections, and the sense that FRELIMO was less willing to continue to negotiate prompted its leader, Afonso Dhlakama, to transfer his official residence to Nampula in 2010. The move was an attempt to reassert his authority over the party. Subsequently Dhlakama threatened a return to war, although the government seemed unmoved, believing it to be bluster.

President Guebuza met Dhlakama in Nampula in December 2011, but this failed to improve relations. In March 2012 a shoot-out between riot police and his supporters outside Dhlakama's house ended with one police officer and one RENAMO member killed. In October 2012 Dhlakama left Nampula and relocated to Satunjira in Gorongosa, Sofala province. The timing and place were significant: Satunjira is a former RENAMO military base, and Dhlakama timed his arrival for the anniversary of the death of RENAMO's founder, André Matsangaissa, who was killed during military action near Satunjira by FRELIMO on 17 October 1979. Armed attacks started in April 2013. Riot police (FIR) raided RENAMO local headquarters in Muxúnguè and Gondola, Manica province, and made arrests. RENAMO retaliated by attacking Muxúnguè police station, killing four members of the FIR and injuring at least nine. One RENAMO assailant was also killed. On 5 April 2013 RENAMO attacked traffic on the main north–south EN1 road for the first time. In June 2013 the government introduced military convoys along a 100-km stretch of road between the River Save and Muxúnguè because of the number of attacks; these convoys continued until August 2014.

Political tensions deepened on 21 October 2013, when the Armed Forces for the Defence of Mozambique (FADM) occupied the Satunjira base after RENAMO had congregated there again to commemorate the anniversary of the death of Matsangaissa. Dhlakama and his secretary-general, Manuel Bissopo, escaped; but Armindo Milaco, a member of parliament and RENAMO head of mobilization, was killed. Dhlakama fled to another base deep in the Serra da Gorongosa, and the FADM moved on to occupy another RENAMO base, Marínguè,

There was a marked reversal of democratic progress in Mozambique in the last years of Guebuza's presidency, as trust between FRELIMO and RENAMO diminished considerably. This was not only due to the return to violence by RENAMO in 2013. It also reflected President Guebuza's strategy of expanding his party's grip on power and marginalizing the opposition, as well as a growing sense of a spread of wealth in FRELIMO hands and growing inequality.

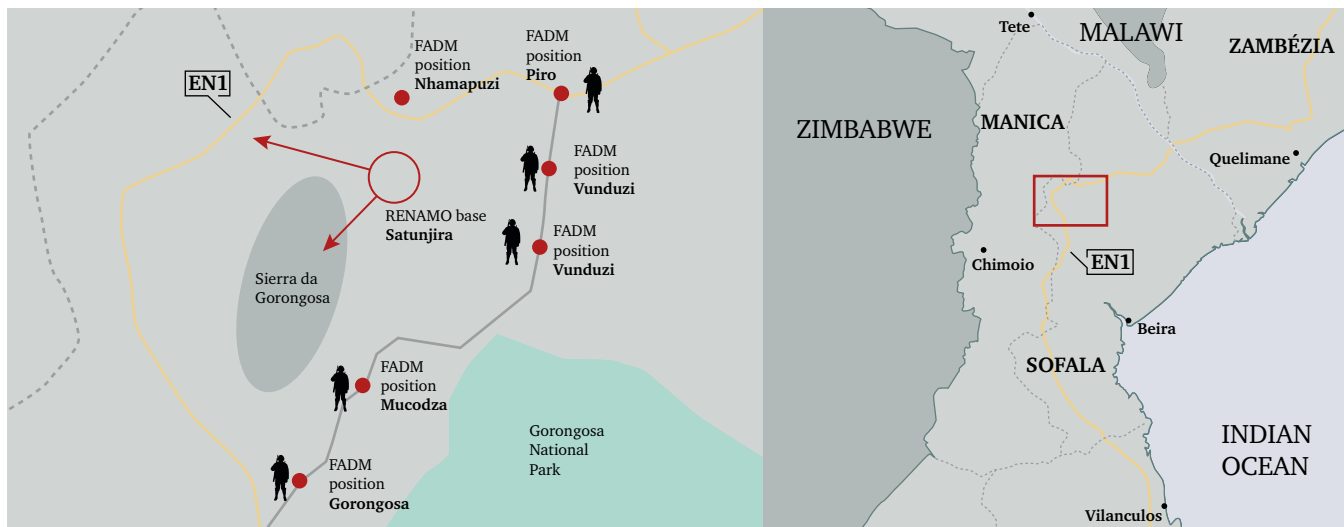
which had remained a location of armed men with tacit acceptance by the government since 1994. After Satunjira, RENAMO launched more attacks on traffic on the EN1 south of Muxúnguè and around Gorongosa, and tried to open new fronts in Nampula, Inhambane and Tete provinces, resulting in further deaths and injuries. Much of the armed action was in central Mozambique, but in January 2014 RENAMO attempted to expand its operations by sending armed men into Homoine district, Inhambane province. In April 2014 attacks on the railway and on trains carrying coal from Tete to Beira port signalled a major escalation, and brought international attention to the conflict. However, in early May, as peace talks progressed, RENAMO announced a ceasefire along the EN1 to facilitate voter registration efforts in central Mozambique for the October national elections. Dhlakama himself registered with a special mobile registration brigade near Gorongosa on 8 May. More fighting took place between RENAMO and the FADM near Mocuba in Zambézia on 15 May, and attacks by RENAMO along the EN1 resumed from early June. The final RENAMO armed attack in 2014 was on 1 July in Condue, Mwanza, Sofala province, along the railway.

RENAMO and the government agreed on a ceasefire at the 74th round of negotiations, on 24 August 2014 in Maputo. Dhlakama agreed to leave his hiding place in central Mozambique, and travelled to the capital on 4 September. The next day he and President Guebuza formally signed the agreement ending the hostilities. During 2013 at least 60 people were killed and more than 300 injured in fighting.^a There are no accurate comparable figures for 2014, but observers believe the total was less than 100.

Earlier in 2015 RENAMO threatened to restart the conflict if it did not obtain concessions from the government. On 2 April its troops and the FADM exchanged fire in Guíja district, Gaza province. Dhlakama confirmed the incident, stating that 150 RENAMO troops had moved south.

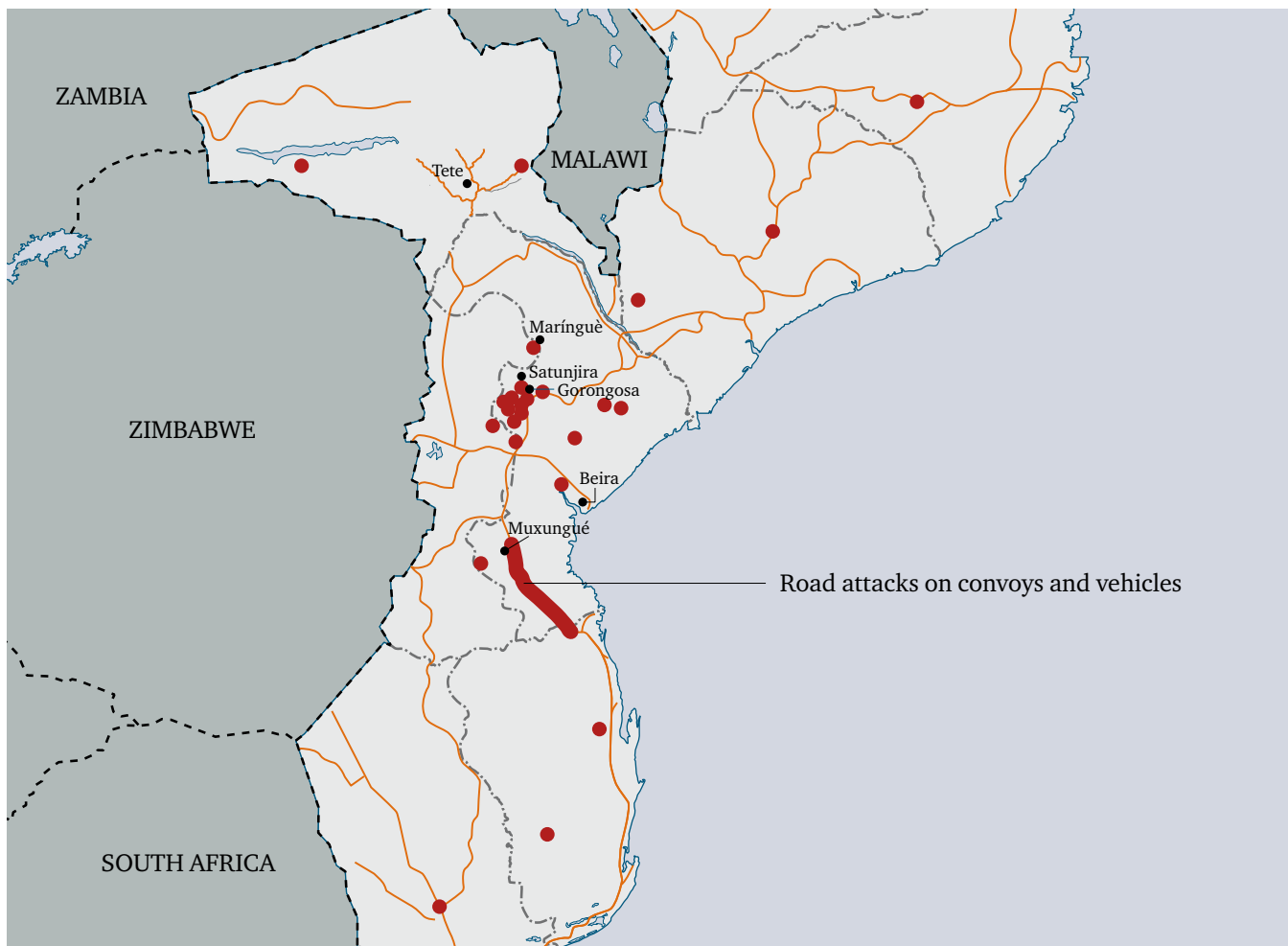
^a Mehler, Andreas, Henning Melber and Klaas van Wairaven (eds) (2014), *Africa Yearbook 2013: Politics, Economy and Society South of the Sahara*, (Leiden: Brill).

Map 4: Siege of RENAMO Satunjira Base (October 2013)



Source: Adapted from O País, 24 October 2013.

Map 5: Armed clashes (April 2013 to April 2015)



Source: Adapted from @Verdade, AIM. See <https://www.google.com/maps/d/viewer?mid=zSxBvo8-5enk.kbWXxb601BCU&msa=0>.

This situation could change, but much depends on the will of Mozambique's political leaders. Speaking at Chatham House in August 2014, when he was a presidential candidate, Nyusi sent all the right signals. He set out how FRELIMO's vision would be realized, and said that the party would continue to develop democratic institutions and a culture of peace and democracy. He explained that this was essential for ensuring the legitimacy of political processes and for stemming the use of violence to achieve political ends. Nyusi also argued that FRELIMO promotes multiparty democracy and had encouraged the active participation of civil society in establishing policies for inclusive growth and the eradication of poverty. He stated that his party would also engage the private sector in creating a competitive business environment, and that local-level decision-making would increase. FRELIMO would also ensure that parliament remained the primary institution through which elected representatives effected citizens' aspirations.¹⁰⁹

Reconciliation and stability: beyond elite pacts

There is no straightforward formula for true reconciliation in Mozambique, but dialogue needs to go beyond elite bargaining between the two former belligerents – to include faith groups, other civil society actors and political parties, whose current role is merely that of observers.

At a state ceremony attended by diplomats, academics and leading citizens on 5 September 2014, six weeks before the elections, Guebuza and Dhlakama signed a new peace agreement.¹¹⁰ Dhlakama had only left his hiding place in central Mozambique the previous day, under escort by the ambassadors of the United Kingdom, Portugal, the United States, Italy and Botswana.¹¹¹ The agreement provided an amnesty to all RENAMO members from 2012 to the date of the signing, which was separately approved by parliament. Negotiations continue on issues such as parity within the army leadership, disarmament and the depoliticization of the state. Parliament also approved special status for the candidate ranked second in the presidential election (Dhlakama in this instance). While Mozambicans are anxious for peace and welcome any agreement, the causes of persistent conflict need to be

addressed through inclusive discussions for sustainable peace. Mozambique's approach to reconciliation – of forgetting past wrongs – contrasts with that of South Africa, which opted to 'forgive but not forget' through its Truth and Reconciliation Commission.

Genuine debate is needed to develop a system for the popular and inclusive allocation of regional and local powers for a complete reconciliation process.

The 2013–14 armed violence has highlighted not only the limits of the reconciliation process, but also that the fighting was instigated from the top, rather than being caused by confrontations between local communities. So reconciliation failed at the national level. The political system, while accepted by FRELIMO and RENAMO, has left the leader of the opposition an outsider.¹¹² Political systems need to be designed internally to be appropriate to their context, but genuine debate is needed to develop a system for the popular and inclusive allocation of regional and local powers for a complete reconciliation process. Elite bargains between FRELIMO and RENAMO have created unsustainable stability.¹¹³ At the same time, trying to end such pacts, which Guebuza attempted during his presidency, introduces short-term instability and can only succeed if Mozambique has credible and functioning institutions – which Guebuza failed to encourage.

Breaking the deadlock: understanding the role of RENAMO

Endemic political mistrust and RENAMO's continual rejection of election results have characterized the years since the 1992 peace accord, yet the return to armed violence came only recently. It is possible that natural resource discoveries, and expectations that some stand to benefit more than others from mineral wealth, may have been a catalyst for increased tensions. This has some basis, but there are other causes to be addressed in order to break the deadlock.

At the 1999 elections, RENAMO won nearly half the vote, making it the then-largest opposition party in Southern

¹⁰⁹ Filipe Nyusi, 'FRELIMO's Vision for Mozambique's Future', speech at Chatham House, 1 August 2014, <http://www.chathamhouse.org/event/frelimos-vision-mozambiques-future>.

¹¹⁰ See for example 'Armando Guebuza e Afonso Dhlakama assinaram o Acordo de Paz [Armando Guebuza and Afonso Dhlakama sign peace accord], *O País*, 6 September 2014, <http://opais.sapo.mz/index.php/eleicoes-2014-informacao/165-eleicoes-2014/30742-armando-guebuza-e-afonso-dhlakama-assinaram-o-acordo-de-paz.html>.

¹¹¹ 'Afonso Dhlakama regressa a Maputo' [Dhlakama returns to Maputo], Deutsche Welle, 4 September 2014, <http://www.dw.de/afonso-dhlakama-regressa-a-maputo/a-17901152>.

¹¹² See for example Cistac, Gilles (2011), *Proposta de Revisão Constitucional para Boa Governança* [Proposal for Constitutional Revision for Good Governance], (Maputo: Instituto de Apoio à Governança e Desenvolvimento).

¹¹³ Manning, Carrie (2004), *The Politics of Peace in Mozambique: Post-Conflict Democratization, 1992–1997* (Westport, CT: Praeger), p. 19.

Africa.¹¹⁴ Its support base is largely in the northern and central provinces, and it has not tried to campaign significantly in the southern ones. The acceptance of violence by RENAMO grassroots supporters and its partial acceptance by a further non-FRELIMO section of the electorate signified a desire not to return to war, but to 'teach FRELIMO a lesson' out of a sense of exclusion and frustration.¹¹⁵ Even in provinces where RENAMO has greater support, FRELIMO-appointed officials act with a 'winner takes all' mentality, showing little local sensitivity or respect for the opposition. Although poverty is not exclusive to RENAMO-majority areas, there is a belief that it results in part from punitive measures taken by the government against the opposition.¹¹⁶ There are some other factors, too, that triggered the resumption of conflict in 2013–14:

- RENAMO veteran fighters: In 2011 parliament approved FRELIMO-proposed legislation providing pensions for civil war veterans, although the measure did not win the support of RENAMO. Despite good intentions, the law raised unfulfilled expectations. The bureaucratic and lengthy process rekindled feelings of discrimination among RENAMO veterans, leading them to mobilize and pressure their leadership to do the same.
- Dhlakama: In 2015 Dhlakama – who has led RENAMO since 1979 – was 62. His relative youth, by regional standards, means there is little discussion of a potential successor. Dissent against him can lead to expulsion from the party.¹¹⁷ Dhlakama has also proved to be a poor negotiator, inconsistent and holding out for maximum concessions, using boycotts and threats.
- Guebuza: FRELIMO on several occasions 'negotiated' with RENAMO concessions on financial compensation or amendments to the electoral legislation.¹¹⁸ During Guebuza's tenure as president, he was less amenable to granting such concessions until he came under internal and regional pressure to do so in 2014.
- RENAMO's financial crisis and lack of accountability: Losing seats in the 2009 elections and being without local government representation further damaged RENAMO's already fragile finances. Leadership secrecy over party finances and patronage has been the norm since the elections in 1994. Dhlakama

himself has come under allegations of funds misuse and greed, to which he has replied that he never wanted to be an MP.¹¹⁹

- The younger RENAMO generation: RENAMO does not have formal youth structures like FRELIMO and MDM, but several of its important leaders are not from the civil war generation, such as Manuel Bissopo, Ivone Soares, Saimon Macuiane and Eduardo Namburete. They are now in their 30s and 40s, and some of them believe that FRELIMO will never be made to cede power without the use of force.

Government–RENAMO talks

There were 104 rounds of negotiations between RENAMO and the government between 12 April 2013 and 11 May 2015. The first item on the agenda was the politicization of the state and the electoral system. In early 2014 the delegations agreed sweeping changes to the electoral legislation, which were then rubber-stamped by parliament. The changes granted the parliamentary political parties absolute control of the electoral bodies, and political appointees were inserted into the electoral apparatus.

During 2014 the dialogue concentrated on the second point on the agenda – defence and security – and this led to the September agreement on a cessation of hostilities. RENAMO, however, as discussed below, has refused to hand over a list of the members of its militia whom it wishes to join the Armed Forces for the Defence of Mozambique (FADM) and the police. Speaking at Chatham House in May 2014, the lead government negotiator with RENAMO, José Pacheco underlined that the cessation by RENAMO of armed attacks and destruction of public and private property, and its unconditional disarmament, were his key immediate objectives.¹²⁰ While RENAMO stated that it would not stop the attacks unless it could appoint the chief of staff of the defence force, and unless the composition of the defence force was changed so that RENAMO troops constitute half of it, Pacheco indicated that RENAMO could only ever appoint the chief of staff if it won the general elections. He added that the government would not accept RENAMO's calls to alter the army's composition, which would violate Mozambique's laws, and that no party may possess an armed force to gain power through violence.

¹¹⁴ Vines, 'Renamo's Rise and Decline'.

¹¹⁵ Interviews with RENAMO members, Sofala and Zambézia provinces, October 2014.

¹¹⁶ Interviews with RENAMO supporters, Mocuba, Murotane, Quelimane, Beira and Nampula provinces, October 2014.

¹¹⁷ Examples include Raul Domingos, Raimundo Samuge, Joaquim Vaz, David Aloni and Ossufu Quitine. See 'A longa lista das vítimas do ditador Dhlakama' [The long list of the victims of dictator Dhlakama], *Diário Independente*, Vol. I, No. 105, 3 September 2008, <http://www.open.ac.uk/technology/mozambique/sites/www.open.ac.uk.technology.mozambique/files/pics/d100061.pdf>.

¹¹⁸ Vines, 'Renamo's Rise and Decline'.

¹¹⁹ Cahen, Michel (2011), 'The Enemy as Model: Patronage as a Crisis Factor in Constructing Opposition in Mozambique', OXPO Working Papers, http://oxpo.politics.ox.ac.uk/publications/working_papers/wp_10-11/OXPO_10-11f_Cahen.pdf.

¹²⁰ José Pacheco, 'From Division to Dialogue: Perspectives on Political Negotiations in Mozambique', speech at Chatham House, 29 May 2014, <http://www.chathamhouse.org/event/division-dialogue-perspectives-political-negotiations-mozambique>.

Box 3: War veterans

The Forum dos Desmobilizados de Guerra de Moçambique (FDGM) represents former fighters of the civil war and has 152,000 members. It claims that the government favours veterans from the war of independence over those who fought in the civil war. For years, the FDGM has campaigned for pensions for its members, as awarded to the war of independence veterans in 2002 legislation. New legislation was finally approved in 2011 recognizing the right of civil war veterans to a pension, but RENAMO voted against this because it did not provide for the same level of recognition for both groups.^a The law requires publication of the decision on each veteran's application in the government gazette before payment is made. As one RENAMO veteran put it: 'In the beginning we needed to go to Maputo. Many of us could not afford to go. Afterwards they allowed us to submit applications in the provinces. But, if you are lucky and you can write and collect all necessary documentation you will still wait two years.' Another veteran noted: 'Once again it is a humiliating process. You are always from the "others". I need to travel to the capital of the province. I have spent more money than the pension they say they will pay.'^b The minimum pension for a former fighter is 600 meticaïs per month (about £14). The cumbersome and lengthy bureaucratic process for payment of pensions has sharpened the sense of exclusion among RENAMO veterans.

Beyond feelings of discrimination relating to pensions, there is a sense of stigmatization among these veterans who are subject to increased party dominance of the state. In central and northern provinces there are villages with large RENAMO veteran populations. While the party has demanded parity for its men still active within the government security forces, mainly in the senior ranks, this fails to address the needs of those who demobilized two decades ago. These men do not pose any threat in terms of reigniting a civil war, but they have the potential to be mobilized in the kind of low-level conflict witnessed in the last two years.^c Effective redress will need to recognize the sense of injustice, poverty and social exclusion.

^a Lei No. 16/2011, 10 August 2011.

^b Interview with RENAMO veterans, Sofala province, October 2014.

^c Ibid. One of the former officials who was not integrated into the army argued that in order to be integrated it was necessary to be summoned, which in most cases did not happen. He succeeded in getting his pension following the 2011 legislation as, in his words, 'I can read and write and I live in the city', whereas many of his comrades are illiterate and live in rural areas. Now unemployed at 58, he works as a volunteer on a religious project. When asked if he would be willing to join the men fighting in Gorongosa, he maintained that although there are more suitable and younger men, he would answer the call were it necessary as he had nothing to lose.

Other items on the negotiation agenda include the separation of the state apparatus from political parties, and unspecified 'economic matters'. After the 104th session of the RENAMO-government talks, in May 2015, Fr Filipe Couto, speaking on behalf of the mediators, admitted the talks were deadlocked and suggested that only a bilateral meeting between President Nyusi and Dhlakama could unlock them. He stated that the removing of parties from the state structures 'is not a monopoly of Frelimo and Renamo', but should be discussed by all parties in parliament (including MDM). He concluded that the deadlock surrounding the military and demobilization was intractable, and that the International Observer Military Team for the Cessation of Military Hostilities (EMOCHM) tasked with overseeing demobilization had achieved nothing.¹²¹

The politics of decentralization

Mozambique is a unitary state, with a mix of decentralized government through local and provincial structures. There are 53 elected local administrators, which include elected executives and local assemblies, but the central government also appoints district administrators. The districts cover

all territories, including those where there are no elected administrations, and there are some that overlap with the jurisdiction of the elected municipal government. There are 11 provinces, and the president has full powers to appoint and dismiss provincial governors, while each national minister appoints their representative director in the province. Elected assemblies without decision-making powers were introduced to the provinces in 2009, but these act merely as forums for discussion and tokenistic forms of local representation.

On 16 March 2015 RENAMO tabled a bill in parliament for more provincial administrations. This came after Dhlakama and Nyusi held two rounds of bilateral talks aimed at improving relations. The president convinced Dhlakama to end his boycott of parliament and present the legislation, promising that it would be taken seriously. This renewed hopes for a *modus vivendi* between the government and RENAMO. It was also a compromise by Dhlakama, who had originally threatened separation by six provinces (in five of which his party had won a majority of the vote) and unilaterally to appoint his own governors in them. The proposal sparked a national debate that also fed into the rivalry within FRELIMO between Nyusi and Guebuza; the latter reportedly continued to favour the containment

¹²¹ 'Mediadores sobre a despartidarização do Aparelho do Estado', AIM, 12 May 2015.

of RENAMO and the use of parliament as a rubber-stamp institution. FRELIMO has responded to the proposal by taking the issue to its grass roots, presenting it as an effort to divide the country.

The proposal advocates a dual administration for elected municipalities, with a mayor and an elected assembly. Dhlakama would appoint ‘council presidents’ in six northern and central provinces without any vote, pending full elections at the same time as the 2019 national elections. There are two particularly controversial parts of the draft bill – heads of administrative posts and localities would be named by the new ‘council president’, and provinces would be given half of all taxes to the state from minerals, gas and oil extracted from them. RENAMO would therefore draw revenue from Nampula, Zambézia, Tete, Manica and Sofala, where Dhlakama won the most votes in the 2014 presidential election, as well as in Niassa, where Nyusi had won most support. Under the RENAMO bill, the ‘council president’ would become the most senior executive in the province, assuming many of the powers currently held by the provincial governor.

On 30 April parliament rejected the RENAMO proposal by 138 votes to 98. (It had already been discussed by two parliamentary committees – constitution and public administration.) All FRELIMO deputies voted against the bill, while MDM deputies voted with RENAMO in favour.

In response to the vote against the RENAMO-sponsored bill, Dhlakama stated that he wanted to avoid having to take power by force, and gave FRELIMO two months to change its mind on the autonomy proposal. He had previously insisted he would take power in the central and northern provinces.¹²²

Decentralization has featured in constitutional discussions since the early 1990s, beginning with the single-party assembly.¹²³ The first law establishing local administrations was approved in 1994, before the first multiparty elections. FRELIMO claims the credit for the implementation of decentralization, but progress has been slow, and has not been helped by opposition from RENAMO. The latter voted against gradual decentralization in the parliament elected in 1994, and boycotted the first local elections in 2009. In fact, RENAMO’s absolutist approach to decentralization was self-defeating, depriving it of the opportunity to make early inroads and win control of several municipalities

when its support was at its peak. FRELIMO’s own fear of decentralization may stem from the culture of a centralized system since independence, from perceived risks to national unity, and from the opposition’s growing presence in and influence on elected municipalities. As a result, Mozambique has a complex structure of overlapping administrative layers at the provincial and local levels.

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Discoveries of natural resources, mainly in the centre and north of the country, have raised fears of increased separatism. Statements such as that of the RENAMO Secretary-General, Manuel Bissopo, on 4 June 2014, threatening to divide the country if the party’s demands for negotiations were not addressed, stoked such concerns.¹²⁴ This is an understandably sensitive topic for FRELIMO. Mozambique has a long history of nation-building, which has been one of the ruling party’s noteworthy achievements since independence. Although the country does not have a particular region or ethnic group with secessionist ambitions, FRELIMO has always had national unity as one of its core tenets. Caution remains, and no party may have its headquarters outside Maputo. Before 2004 parties needed to win at least five per cent of votes at the national level to secure parliamentary representation.¹²⁵

The focus on national unity is clearly important, yet it does not seem that there is any inclination from the central and northern populations towards secession. The opposition could potentially use regionalism as an electoral card, although this was not reflected by the strong performance of MDM in Maputo and its satellite Matola in the 2013 municipal elections.

FRELIMO has had to come to terms with there being an opposition mayor in Beira since 2003, and in Quelimane and Nampula since 2011 and 2013 respectively. Except for in Beira, the election of MDM mayors was assisted by RENAMO’s boycott, and the challenge for MDM now is to show that its elected officials can make a sustainable

¹²² See, ‘Mozambique War Prospects Recede as Renamo Tones Down Threats’, Bloomberg, 6 May 2015, <http://www.bloomberg.com/news/articles/2015-05-06/mozambique-war-prospects-recede-as-renamo-tones-down-threats>.

¹²³ The first law constituting local government was approved in 1994 (Lei No.3/1994, 13 September 1994), but the first local elections only took place in 1998.

¹²⁴ See ‘Bissopo ameaça dividir o país ao meio’ [Bissop threatens to divide the country in half], *O País*, 4 June 2014, <http://opais.sapo.mz/index.php/politica/63-politica/29711-bissopo-ameaca-dividir-o-pais-ao-meio.html>.

¹²⁵ Electoral Institute for Sustainable Democracy in Africa, ‘Mozambique: Electoral System’, <http://www.content.eisa.org.za/old-page/mozambique-electoral-system>.

difference. Violence during the 2013 municipal elections in Beira and Quelimane demonstrated that at the local level FRELIMO would use all the instruments at its disposal, including drawing on state assets like the Rapid Intervention Force (FIR) to contest those elections.

FRELIMO has said it wants to regain control of these cities, but with President Nyusi advocating more inclusive politics, greater cooperation may be possible, especially with MDM if RENAMO persists in its strategy of absolutist demands backed by military brinkmanship. FRELIMO's strategists have acknowledged that MDM can offer a peaceful alternative to RENAMO in some places, but getting its officials in the provinces to accept any loss of power and patronage for a longer-term party strategic goal has not been possible.

FRELIMO is aware that, within its ranks, members are demanding a more balanced distribution of power between the different ethnic groups and provinces. This discussion around provincial representation in Maputo is clearly important, but it can overshadow the real issues if it does not also address the devolution of power for regional decision-making. The debate on decentralization must take place in tandem with that on development. The current agenda of provincial development is implemented by an appointed governor and representative directors who are simultaneously accountable to the governor and to their national ministries. Aside from potential pitfalls in answering to a dual leadership, the provinces' development agenda is mostly applied piecemeal, with ownership still residing in the capital. As a high-ranking official in Cabo Delgado put it: 'Not much has changed. Maputo still decides what happens here in Cabo Delgado.'¹²⁶

¹²⁶ Interview, Pemba, October 2014.

5. Security and Poverty Reduction

The various impacts of conflict on poverty are well documented.¹²⁷ In the case of Mozambique, the issue was highlighted in the 2010 Chatham House report, which stated:

If the risk of conflict, instability and insecurity in Mozambique is to be reduced by increasing the human security of its citizens, a fundamental change in the foundations of the economy will be required – away from consumption and towards production. This shift will need to be accompanied by a change in the nature of Mozambican politics, towards a more accountable and democratic system that is – in more than just theory – fairer and more efficient at delivering services and people-centered policies.¹²⁸

Five years later, that statement is even more valid, but the context has shifted further away from a post-conflict scenario to a more established and entrenched jigsaw of factors in which establishing equity of human security over the entire country is as hard as ever.

Conflict alters the scope and nature of poverty reduction. This is true whether conflict is ongoing, whether it is going to happen in the future, or whether it has been so widespread in the recent past that peacebuilding and reconciliation take precedence over programmes aimed at addressing poverty. In comparison with Mozambique's periodic floods or its relatively poor road and electricity networks, the impacts of conflict on poverty reduction do not appear to be highly significant. However, even short-term outbreaks of armed conflict have a significant negative impact on international development aid programmes.

Reducing the likelihood of conflict by addressing grievances and giving a better option to people who would otherwise resort to armed violence is a long-term and multifaceted process. Whether this should be a primary focus of donor interventions or a by-product of interventions aimed squarely at poverty reduction is a legitimate question.

Mozambique's civil war ended over 20 years ago, and the sporadic outbreaks of fighting that have occurred since then do not indicate a return to it, or any credible secession bid (whatever RENAMO's military wing may think). The recent outbreaks of organized armed conflict appear instead to constitute a tactical political pushback against the political and economic hegemony of FRELIMO.

Viewed in the context of the whole country, this does not have as much to do with open warfare as with political

positioning, and is indicative of the failure of RENAMO to turn itself into an effective opposition. It also reflects the failure of FRELIMO to be more inclusive – not only in the political sphere but also in the private sector, where it also maintains a very strong foothold. The level of FRELIMO interest in major investments means that it has access to far more party funding than does RENAMO. As a result, there is not a level political playing field.

The scope for redress in the legal arena is limited because of the workings of the courts. The Superior Council of the Judiciary is made up of the chief justice and their deputy, one associate judge elected by their peers, four members designated by parliament, two members appointed by the head of state, and four provincial judges and four officials elected by their peers. This system is designed to avoid the dominance of any party or force, and to open the door to civil society – thus members elected to the Superior Council do not all have to be lawyers or judges. However, the state president elects the judges of the Supreme Court after consultation with the Superior Council. The president also selects the chief justice and their deputy, but both appointments require parliamentary ratification. While this structure appears elegant in affording equity of access, it is open to obstruction – mostly because of lack of funding. Judges are not well paid. There is a provision in law that stipulates that they shall receive a salary, housing, medical assistance and protection, but in practice these payments are inadequate.

If a political force cannot achieve redress through legal or parliamentary means, it is left with the option of conflict. Ongoing support for the judiciary and the legal system, particularly at provincial level, would be a positive step. While it is inappropriate for donors directly to redress the flaws in a system designed to provide distance between the executive and the judiciary, it is appropriate for parliamentarians to be offered a clear view of what the problems are and how these might be resolved. As set out below, there are notable threats to Mozambique's development that need addressing – such as through security sector reform, action to target kidnappings and organized crime, and a commitment to disarmament. These three challenges illustrate the fragility of the Mozambican state, and much of the solutions to them require a fresh approach by Mozambique's political elite.

¹²⁷ For a summary of more than a dozen specific reports from 2010 to 2014, see Rohwerder, Brigitte (2014), 'The impact of conflict on poverty', GSDRC Helpdesk Research Report 1118 (Birmingham: GSDRC, University of Birmingham).

¹²⁸ Astill-Brown and Weimer (2010), 'Mozambique'.

Security sector reform

With rising levels of crime and corruption, and challenges to government efficacy, programmes to build an effective and accountable security sector are crucial to sustaining stability and producing lasting development outcomes. The public image and credibility of Mozambique's security forces has deteriorated dramatically in recent years as a result of the lack of clarity on their roles as well as their ineffectiveness in the military stand-off with RENAMO and in combating corruption and organized crime.

The 2013–14 conflict revealed that neither side is militarily strong. RENAMO's ageing guerrillas were able to conduct discrete attacks and disrupt transport, but lacked the capacity or support to return to civil war. The conflict also brought new young recruits to RENAMO who had no experience of the civil war. Both sides suffered casualties, but the FADM successfully surrounded RENAMO's Satunjira base. Overall, both sides sought to avoid any major confrontation, preferring instead to skirmish.

The police force faces challenges of low manpower, low salaries and limited resources, especially in rural areas.

RENAMO was able to disrupt central Mozambique in 2013–14 because in 1994 the FRELIMO government opted to create a small and weak national military to keep costs down and to avoid any potential threat to the party's dominance. The FADM is the result of the 1992 peace agreement, which stipulated the integration of combatants from both 'armies'. But there has not been 'a practice of integration, but one of disintegration', resulting in fighters from each side joining the military voluntarily, going unpaid and working under poor conditions.¹²⁹ The need to create the FADM out of both government and opposition forces resulted in serious structural problems, especially as it lacked an appropriate chain of command. Originally, there was to be a dual chain of command to build trust, but a single chief of staff was installed after the 1994 elections. The remaining command positions were split evenly, but this resulted in low-skilled personnel being in charge of key positions. There developed a situation in which there were too many officers and too few soldiers.

Despite efforts by politicians from both parties to encourage rifts, the leadership of the deputy chief of staff (a RENAMO ex-guerrilla) helped encourage the FADM's political neutrality. Although this was tested in 2013–14, with allegations of ex-RENAMO combatants leaking intelligence in advance of operations, on the whole the FADM held together and demonstrated once again that reconciliation is possible if this is encouraged by leadership. Low morale, poor discipline and limited resources were the greater challenges. The army consists of 11,000 conscripts, and its \$120.6 million budget is low compared with some of its African counterparts such as South Africa (\$4.8 billion) or Angola (\$6 billion) in 2013.¹³⁰ What has constrained the FADM is not its origins – it represents a reasonably successful example of national reconciliation – but the fact that it has been prevented from ever becoming effective or professionalized by the lack of resources assigned to it by the government.¹³¹

In 2013, of a total national budget of \$6.2 billion, the State Information Security Service (SISE) received \$41.7 million, the FADM \$120.6 million, the Ministry of Interior \$195.2 million and the Casa Militar (the presidential security detail) \$1.6 million. By comparison, the Assembly of the Republic received approximately \$22.3 million in the same year.¹³² Parliament finally adopted a \$6.6 billion state budget for 2015 in April, of which 55 per cent was broadly defined as 'priority' or development, with spending on military, police and security at 8 per cent.

The PRM has difficulty in upholding the law. In some parts of the country, such as Sussundenga in central Mozambique, it was only able to establish a presence from 2001 because of fear of armed opposition by RENAMO supporters and the need to work with traditional authorities.¹³³ In 2003 a study concluded that:

At present, the conduct of the Mozambique police is not consistently subject to the law, nor are they adequately accountable, accessible, impartial, representative or transparent. In a word, they lack legitimacy. Democratization has brought only minor changes to the force. In this respect, they are typical of forces across the region.¹³⁴

In recent years there have been concerns over renewed politicization of the police, as shown by political violence during the last elections and the detention of opposition party members. The PRM is divided into three sections: Order and Public Security; Criminal Investigation Police

¹²⁹ Young, Eric (1996), 'The Development of the FADM in Mozambique: Internal and External Dynamics', *African Security Review*, Vol. 5, Issue 1, p. 19.

¹³⁰ International Institute for Strategic Studies, (2014), 'Sub-Saharan Africa', in *The Military Balance*, Vol. 114, Issue 1, pp. 420–459.

¹³¹ Lalá, Anícia (2009), 'Defence Reform Challenges and Democratisation in post-conflict Mozambique', *The Current Analyst*, pp. 1–23, <http://currentanalyst.com/index.php/security-assessment/119-defence-reform-in-mozambique>.

¹³² For an analysis of the funding for the security forces in the national budget, see 'Casa Militar, FIR, FADM e SISE com mais dinheiro' [Casa Militar, FIR, FADM and SISE with more money], *Savana*, 16 November 2012, <http://comunidadeemocambicana.blogspot.co.uk/2012/11/casa-militar-fir-fadm-e-sise-com-mais.html>.

¹³³ Kyed, Helene Maria (August 2014), 'State Policing and Invisible Forces in Mozambique', *Africa*, Vol. 84, Issue 3, p. 427.

¹³⁴ Baker, Bruce (2003), 'Policing and the Rule of Law in Mozambique', *Policing and Society: An International Journal of Research and Policy*, Vol. 13, Issue 2, p. 155.

Box 4: Security forces and the 2008 and 2010 Maputo riots

The February 2008 riots were popular protests sparked by the price increase of the *chapas* public transport taxis from 5 to 7.5 meticaïs because of an increase in fuel prices. The violence was mainly in Maputo and its satellite Matola, and left at least six dead and 178 injured. The government struck a deal with the transport association, conceding the removal of the 17 per cent VAT on fuel for the *chapas*.

In early September 2010 Maputo experienced new riots, resulting in 13 deaths, several hundred people injured and 32 shops looted. The cause was a rise in food prices, particularly for bread, which had recently increased by 17 per cent. The government's reaction this time was not as swift. President Guebuza addressed the nation, appealing for calm but without announcing any concrete measures. As the riots continued, the government was forced to announce several concessions, such as subsidies for primary food producers like bread factories and making guarantees to freeze

the salaries and subsidies of top government officials and the administrators of parastatal companies.

A report on the 2010 riots concluded that the PRM was 'unprepared, ill-trained and corrupt'.^a It said that officers did not follow the basic rules for the use of anti-riot equipment such as tear gas and rubber bullets, and violated human rights by using live ammunition against the crowds. The police also ignored intelligence that riots were being planned. Mobile phone text messages had been circulating since 29 August calling for protests, and the police had three days to mobilize forces. Instead, its general command held a press conference on 31 August to play down what it called rumours.

^a Centro de Integridade Pública, 'Polícia sem preparação, mal equipada e corrupta' [Unprepared, poorly equipped and corrupt police], 8 September 2010, http://www.cip.org.mz/cipdoc%5C9_Pol%C3%ADcia%20sem%20prepara%C3%A7%C3%A3o,%20mal%20equipada%20e%20corrupta.pdf.

(PIC); and Special Forces, including the FIR, the unit for protection of high-profile persons and the border police. There are different resource allocations among the units, but data on manpower or capacity are not freely available. In 2003, according to the strategic plan for the Mozambican police, there were around 20,000 police officers, giving a ratio of police to citizens of 1:1,089, which is substantially lower than the international average of 1:350–400.¹³⁵ The police force faces challenges of low manpower, low salaries and limited resources, especially in rural areas. At an event marking the 39th anniversary of the PRM, its chief, Commandant Jorge Khalau, praised the force's development. His response to a question on low wages was that no one joined the police to make money; rather they did so to defend the nation, and thus low salaries were not a problem.¹³⁶ During Guebuza's presidency, there was deliberate underinvestment in the FADM and the police. Only the FIR enjoyed higher salaries, and better equipment and training.

Kidnappings and organized crime

Chatham House's 2010 report highlighted that 'Criminal networks operating in Mozambique are one of the greatest dangers to incipient democratic forces'.¹³⁷ The penetration of the state by organized crime has increased over the last five years, and the police has been mostly ineffective in tackling this. The significant increase in kidnapping for ransom since 2012 demonstrates vividly how Mozambique's institutions are increasingly being eroded.¹³⁸

High-profile kidnappings were uncommon a decade ago. When the son of a prominent South Asian-Mozambican businessman was abducted in October 2005 in Nacala (and then quickly released for a \$200,000 ransom), it was only the third prominent kidnapping since 1992.¹³⁹ In 2010 Jorge Khalau admitted that there was 'a wave of kidnapping', following the abduction of two siblings in Matola (for a ransom of \$3,800) and the kidnapping in Nampula of the daughter of a prominent businessman of South Asian origin (who reportedly paid \$400,000 for her release).¹⁴⁰

¹³⁵ República de Moçambique, Ministério do Interior (May 2003), 'Plano estratégico da Polícia da República de Moçambique (PEPRM) para o período 2003–2012' [Strategic Plan of the Republic of Mozambique Police for the period 2003–2012].

¹³⁶ 'Fazemos muito com poucos meios – Jorge Khalau, Comandante-Geral da Polícia da República de Moçambique (PRM)' [We do a lot with few resources – Jorge Khalau, Commander-General of the Republic of Mozambique Police], *Jornal Notícias*, 19 May 2014, <http://www.jornalnoticias.co.mz/index.php/primeiro-plano/15973-fazemos-muito-com-poucos-meios-jorge-khalau-comandante-geral-da-policia-da-republica-de-mocambique-prm>.

¹³⁷ Astill-Brown and Weimer, 'Mozambique'.

¹³⁸ See also Goredema, Charles (2013), 'Mozambique In-Country Case Study', in Kavanagh, Camino (ed.), *Getting Smart and Scaling Up: The Impact of Organized Crime on Governance in Developing Countries* (New York, NYU Center on International Cooperation).

¹³⁹ 'Sequestradores de Gafur Hassan Eram de Origem Asiática' [Kidnappers of Gafur Hassan Eram are of Asian origin], Wamphula Fax, 1 November 2005, http://macua.blogs.com/moambique_para_todos/2005/11/sequestradores_.html.

¹⁴⁰ Mediafax, 15 February 2010.

Kidnappings have continued to increase. There were 14 abductions for ransom in 2012, and according to then interior minister Alberto Mondlane, there was a dramatic spike up to 64 between July 2011 and September 2013.¹⁴¹ He told parliament that:

There are organized criminal networks that have penetrated the financial, police and judicial systems.¹⁴²

The authorities reported 44 kidnappings in 2013, including six in Maputo during a single week in October.¹⁴³ This caused the council of ministers to state that kidnapping had led to ‘a climate of insecurity among citizens, especially those who exercise lucrative activities [and that the government would] make every effort to ensure these crimes are prevented, repressed and severely punished’.¹⁴⁴

Prosecutions have resulted in some convictions. In 2013 17 people received prison sentences for kidnapping, although most ringleaders appear to have not been charged. In an apparent illustration of how the police force itself had been penetrated by the kidnapping syndicates, three officers (including a member of the elite presidential guard) were sentenced, alongside three other people, in October 2013 to 16 years in prison for kidnapping six people in 2011–12. The respective ransoms paid were revealed in court to be \$130,000, \$165,000 and \$160,000.¹⁴⁵ Until mid-2013, kidnap victims were almost exclusively wealthy members of the South Asian community, mostly resident in Maputo, Matola and some of the provincial capitals and cities. Since then, the victim profile has widened to other communities, middle-class citizens, and particularly Portuguese expatriates who had been resident for a long time in Mozambique.¹⁴⁶ Families of wealthy businessmen have increasingly become a target as well, with a number of cases of children kidnapped on their way to school.¹⁴⁷ As the target group has broadened, so too has the geographical distribution, with more cases recorded in Beira and Nampula city.¹⁴⁸

Attorney-General Beatriz Buchili reported to parliament in May 2015 that 42 cases of kidnapping had been recorded in 2014, compared with 44 in 2013. The number of kidnappings recorded in Maputo (and Matola) in fact dropped from 40 in 2013 to 22 in 2014; however, the number of kidnappings increased in other cities in 2014 – six in Beira, five in Nampula and three in Inhambane.¹⁴⁹ Buchili also reported that 20 people were charged with kidnapping in 2014, of whom 18 were brought to trial. (Those convicted were sentenced to prison terms of between eight and 24 years.)

The average length of kidnap has been estimated to be one week (the longest being 45 days) and the average ransom demand just over \$1.5 million, with a median settlement figure of \$23,500. There have been some very high demands (in excess of \$5 million), but these are part of the bargaining for release and not based on serious expectations. To date, there has only been one death during negotiations.¹⁵⁰ Kidnapping did not exist as a specific crime in Mozambique’s penal code until the government introduced legislation in December 2013 that established a legal definition for the crime and recommended a sentence range of 12–16 years for convicted kidnappers. This has not acted as a deterrent, and in 2014 high-profile kidnappings continued, including, in November, businessman Mohamed Bachir Suleman (identified in 2010 by the US Treasury Department as a ‘significant foreign narcotics trafficker’).¹⁵¹

Kidnappings have continued into 2015. According to the police, 11 Mozambicans of South Asian origin and three Portuguese were kidnapped between October 2014 and beginning of May 2015.¹⁵²

Changes to the penal code have not been matched by police reform. The government has seemed unwilling to criticize the police, with, under the former administration, interior minister Mondlane labelling investigations as ‘satisfactory’ and Guebuza stating ‘I have confidence in

¹⁴¹ Unofficial figures are higher, as many go unreported because families are afraid to go to the police. Interviewees in Maputo talked of 111 known kidnappings since 2012 by October 2014.

¹⁴² ‘Mozambican Police Report 64 Cases of Kidnapping in Past Two Years’, AIM, 6 December 2013, <http://namnewsnetwork.org/v3/read.php?id=MjUyMTI4>.

¹⁴³ ‘Kidnap scourge persists in Mozambique’, *Business Day*, 23 April 2014, <http://www.bdlive.co.za/africa/africanews/2014/04/23/kidnap-scurge-persists-in-mozambique>.

¹⁴⁴ ‘Mozambique: Despite Kidnappings, Guebuza Confident in Police’, AIM, 31 October 2013, <http://allafrica.com/stories/201311011089.html>. This wave also spawned opportunistic extortion. People were phoned and told that they were on a kidnapping list and had to pay to be taken off the list.

¹⁴⁵ Hanlon, Joseph (2014), ‘Mozambique 2013’ in Mehler, Melber and Walraven (eds.), *Africa Yearbook*.

¹⁴⁶ ‘Kidnapping on the rise in Mozambique’, *Times*, 26 November 2013, <http://www.timeslive.co.za/africa/2013/11/26/kidnapping-on-the-rise-in-mozambique>.

¹⁴⁷ ‘Mozambique: Kidnappings’, *KR Magazine*, 16 November 2013, <http://www.krmagazine.com/2013/11/16/mozambique-kidnappings/>.

¹⁴⁸ ‘Kidnapping increase in Mozambique’s largest cities poses growing risk to expatriates’, *IHS Jane’s Country Risk Daily Report*, 23 February 2015, <http://www.janes.com/article/49357/kidnapping-increase-in-mozambique-s-largest-cities-poses-growing-risks-to-expatriates>.

¹⁴⁹ ‘Mozambican crime rate up by more than 10 per cent’, AIM, 6 May 2015.

¹⁵⁰ *Kidnap Briefing Monthly*, Issue 107, January 2015, p. 6.

¹⁵¹ ‘Kidnapped Mozambican Businessman Released’, *New York Times*, 20 December 2014, http://www.nytimes.com/aponline/2014/12/20/world/africa/ap-af-mozambique-kidnapping.html?_r=0; U.S. Department of the Treasury, ‘Treasury Sanctions Entities Owned by Drug Kingpin Mohamed Bachir Suleman Treasury Action Targets Narcotics Trafficking Network in Mozambique, Builds on President Obama’s Drug Kingpin Identification’, 1 June 2010, <http://www.treasury.gov/press-center/press-releases/Pages/tg729.aspx>.

¹⁵² Telephone interview with Republic of Mozambique Police official, Maputo, 6 May 2015.

the Presidential Guard and in the General Commander of the Police.¹⁵³ Apparent government inaction has brought criticism from high-level figures, including former First Lady Graça Machel and Portugal's consul-general in Maputo.¹⁵⁴ During anti-kidnapping rallies in Maputo in October 2013, protesters accused the police and security forces of complicity, and expressed anger over the government's inaction.¹⁵⁵

Criminal networks have clearly penetrated the judiciary and police. The assassination in May 2014 in Maputo of Judge Dinis Silica, who had led investigations into local kidnapping cases, reflects for the level of infiltration and intimidation of the public security institutions.¹⁵⁶ Portugal is reported to have sent investigators to help the authorities break the kidnap networks in 2013, but, as reported by one source, 'co-operation ceased when the probes uncovered links higher up'.¹⁵⁷

The kidnappings have also been linked to illegal trade, with a foreign journalist abducted during investigations on rhinoceros-poaching in the south of the country.¹⁵⁸ In September 2012, Bakhir Ayoob, the son-in-law of Mohamed Bachir Suleman, was arrested under suspicion of leading a group responsible for more than 20 kidnappings in Maputo, highlighting potential connections to drug trafficking.¹⁵⁹ Mozambique has also been listed by the US State Department as a transit route for human trafficking and forced labour in Southern Africa.¹⁶⁰

It is clear that the police is not able to cope, and its reform and strengthening needs to be a priority for the Nyusi administration.

Kidnapping is a major worry for international investors. Rio Tinto, for example, withdrew the families of its expatriate workers from Maputo in November 2013. There is evidence of falling house rents in Maputo, apparently linked to the relocation of expatriate families abroad.

Investors are being advised that: 'Operators in urban areas of Mozambique should ensure that personnel and their dependents adopt stringent security precautions to mitigate the risk of falling victim of kidnapping'.¹⁶¹ It is clear that the police is not able to cope, and its reform and strengthening needs to be a priority for the Nyusi administration. Restructuring the PIC by making it autonomous from the regular police and affiliated to the office of the public prosecutor would be a first good step.

Disarmament

One of the surprises of the resumption of conflict in 2013–14 was the availability of arms for RENAMO. The NGO Mozambican Force for Crime Investigation and Social Reinsertion (FOMICRES) reported that there were 3–4 million weapons in the country following the end of the civil war.¹⁶² During the 1992–94 peace process, the priority of the UN Operation in Mozambique (ONUMOZ) was to help RENAMO transform itself into a political party and thereby contest national elections. A task of ONUMOZ was to dismantle command and control structures, and also disperse ex-combatants through a 'pay-and-scatter' programme. Disarmament was not a priority.¹⁶³ After the withdrawal of ONUMOZ – and as crime rates increased in the country and across the border in South Africa, two disarmament efforts were undertaken – Operation Rachel (a joint Mozambican–South African police initiative) and an Arms for Tools (TAE) programme established by the Christian Council of Mozambique. Operation Rachel focused on the respective border regions of Gaza province and Mpumalanga. By 2003 several tons of weapons had been destroyed, and TAE reported that it had collected 800,000 guns and other pieces of military equipment.¹⁶⁴ An official mediator in the RENAMO and FRELIMO stand-off, Bishop Dinis Sengulane, concluded that the failure to disarm completely in 1992–94 resulted in many individuals

¹⁵³ 'Mozambique: 64 Cases of Kidnapping in Two Years', AIM, 5 December 2013, <http://allafrica.com/stories/201312090266.html>; 'Mozambique: Despite Kidnappings, Guebuza Confident in Police', AIM, 31 October 2013, <http://allafrica.com/stories/201311011089.html>.

¹⁵⁴ See 'Results needed in kidnapping investigations in Mozambique' – Portuguese Consul', Club of Mozambique, 30 March 2015, <http://www.clubofmozambique.com/solutions1/sectionnews.php?secao=mozambique&id=2147488171&tipo=one>.

¹⁵⁵ 'Thousands march in Mozambique to demand peace, security', Reuters, 31 October 2013, <http://www.reuters.com/article/2013/10/31/us-mozambique-protests-idUSBRE99U10P20131031>.

¹⁵⁶ 'Mozambique judge Dinis Silica shot dead in Maputo', BBC News, 8 May 2014, <http://www.bbc.co.uk/news/world-africa-27328007>.

¹⁵⁷ 'Kidnap scourge persists in Mozambique'.

¹⁵⁸ Grill, Bartholomäus, 'Kidnapped in Mozambique: In the Clutches of Rhino Poachers', *Spiegel*, 12 March 2015, <http://www.spiegel.de/international/world/investigation-into-rhino-poaching-turns-into-kidnapping-a-1022611.html>.

¹⁵⁹ 'Mozambique: Kidnappings'.

¹⁶⁰ US Department of State (2014), *Trafficking in Persons Report: June 2014*, p. 283.

¹⁶¹ *Kidnap Briefing Monthly*, Issue 107, January 2015, p. 7.

¹⁶² Reisman, Lainie and Aly Lalá (2012), 'Assessment of Crime and Violence in Mozambique & Recommendations for Violence Prevention and Reduction', Open Society Foundations Crime and Violence Prevention Initiative (OSF CVPI) and Open Society Initiative for Southern Africa (OSISA). http://osisa.org/sites/default/files/cvpi_mozambique_report_-_final_english.pdf.

¹⁶³ Berman, Eric (1996), 'Disarmament and Conflict Resolution Project – Managing Arms in Peace Processes: Mozambique', United Nations Institute for Disarmament Research, UNIDIR/96/22; Vines, Alex (1998), 'Disarmament in Mozambique', *Journal of Southern African Studies*, Vol. 24, No 1, pp. 191–205.

¹⁶⁴ Reisman and Lalá, 'Assessment of Crime and Violence in Mozambique & Recommendations for Violence Prevention and Reduction'.

retaining their weapons. The fact that the equipment used in the recent conflict was in much better condition than would be expected after so many years of disuse, and that some RENAMO fighters were younger than war veterans would be, suggested that the use of firearms attracted some new RENAMO recruits.¹⁶⁵ As previously noted, EU election observers found that the 2014 elections were impacted by failed disarmament.

Although disarmament has not been a success over two decades, demobilization and reintegration (DDR) has been mostly successful, with RENAMO apparently unable to return to civil war. What many observers have overlooked, however, is the post-war relationships between RENAMO's low- and mid-ranked veterans and its leadership. Studies in West Africa show that long after a conflict is over, military networks remain involved in activities such as election campaigning, illicit trade, private security, mining and criminality. In Mozambique, with RENAMO's rapidly degrading political fortunes, Dhlakama showed he could still remobilize ageing ex-combatants and arm them, 20 years after the civil war ended, because of patronage politics. The dependency between Dhlakama and core followers in central Mozambique was breaking down, and in 2012 he moved back there to shore up support. By one estimate, about 3,000 RENAMO ex-combatants lived in Maríngue district and had been 'waiting' for the party to provide them with benefits, although this figure is in fact more likely for the whole of Sofala province.¹⁶⁶ This is a reminder both of how Mozambique's politics can be localized, and that while RENAMO was unable to return to full conflict, its structures remained sufficiently intact in central Mozambique to enable some violence.

The process of DDR has returned as a critical issue, with RENAMO alleging discrimination against its forces. EMOCHM, as mandated by the September 2014 agreement between Guebuza and Dhlakama, was not successful.¹⁶⁷ It was to be made up of observers from Botswana, South Africa, Zimbabwe, Kenya, Cabo Verde, Italy, Portugal, the United Kingdom and the United States. After a 10-day installation period, it had 135 days to complete its task of monitoring the disarming and demobilizing of RENAMO's 'residual forces' and their incorporation into the FADM and the police, or return to civilian life. The 135 days expired in February 2015, and a dispute followed as to whether to renew the EMOCHM mandate. RENAMO sought an

extension of 120 days, but the government insisted on 60. EMOCHM's mandate eventually expired, unfulfilled, on 15 May 2015. (Botswana, Italy and the United Kingdom had recalled their observers earlier in 2015, while the United States never deployed its own.)

By this time, RENAMO had not delivered a list of those it wished to see recruited into the FADM and the police, and the observers had little to observe – although the government said in October 2014 that it was prepared to incorporate into the armed forces and police 300 men from RENAMO's militia (200 and 100 respectively), a figure based on past contacts with Dhlakama.

RENAMO seems to not want to reintegrate its residual forces and finally disarm, as this is the leverage it has over the government in its continuing effort to extract political concessions. One conclusion drawn from the events of 2013–14 is that maintaining armed men who are prepared to challenge the government has enhanced RENAMO's political standing in the short term.

Two other lessons can be drawn from the resumed violence of 2013–14. First, DDR efforts were not seen as an open-ended, long-term process that is not just technical and which embraces political inclusion. This meant that after a decade of peace, international donors concluded that Mozambique had undergone a successful post-conflict transition and that support for NGO efforts in this field was no longer a priority.

Additional is the lesson that disarmament should not have been neglected, and that ONUMOZ missed an opportunity with regard to this. After its withdrawal, the prospects for disarming diminished, and only a small percentage of weapons were given up through official and NGO efforts. It is now known that RENAMO has maintained armed men and weapons stockpiles over two decades. There was an early warning of this in 2010, however. FOMICRES located large arms caches in five districts in Sofala province, including heavy weapons, but it was unable to access them for destruction for political reasons. RENAMO official Rahil Khan warned in January 2014 that RENAMO had arms caches across the country on which it could draw.¹⁶⁸

If political agreement is reached between RENAMO and the government, international donors should support a long-term peacebuilding and disarmament strategy in central Mozambique.

¹⁶⁵ D. Dinis Sengulane, 'Restoring Peace in Mozambique', speech at Chatham House, 14 July 2014, <http://www.chathamhouse.org/event/restoring-peace-mozambique>.

¹⁶⁶ Wiegink, Nikkie (2013), 'Why Did the Soldiers Not Go Home? Demobilized Combatants, Family Life, and Witchcraft in Postwar Mozambique', *Anthropological Quarterly*, Vol. 86, No 1, pp. 107–132.

¹⁶⁷ EMOCHM (August 2014), 'Termos de Referência da Equipa Militar de Observação Da Cessaçao Das Hostilidades Militares' [Terms of Reference for the EMOCHM team], <http://www.open.ac.uk/technology/mozambique/sites/www.open.ac.uk.technology.mozambique/files/files/Renamo%20dialogo%20acordos.pdf>.

¹⁶⁸ 'Assesor da Renamo garante que homens do partido têm armas em tudo o país' [RENAMO adviser confirms that there are armed men across the country], Agência Lusa, 10 January 2014, http://noticias.sapo.pt/internacional/artigo/assessor-da-renamo-garante-que-homens-do-partido-tem-armas-em-tudo-o-pais_17143831.html.

6. Regional Factors and New Partners

Mozambique's foreign policy is primarily focused on its region. It was a founding member of the Frontline States (FLS) of Southern Africa, and played pivotal roles in the international processes that led to the independence of Namibia and Zimbabwe as well as the removal of the ban on the African National Congress (ANC) of South Africa.¹⁶⁹ Mozambique's role in encouraging a settlement in the Rhodesian conflict in 1979–80 marked a significant deepening of relations with Zimbabwe. Mozambique has also played an important role in the successor organization to the FLS, the Southern African Development Community (SADC). According to foreign minister Oldemiro Balói, 'Mozambique's foreign policy promotes the ideal of African unity and the attainment of the Millennium Development Goals, in order to strengthen peace and sustainable development in Mozambique, Africa and the world as a whole.'¹⁷⁰ Liberation solidarity has meant that the country maintains close relations in the region through party-to-party relations, particularly with the Popular Movement for the Liberation of Angola (MPLA), the ANC, the SWAPO Party in Namibia and the Zimbabwe African National Union-Patriotic Front (ZANU-PF). Under President Guebuza, relations with Angola deepened significantly. Relations with Tanzania's ruling Chama Cha Mapinduzi (CCM) are also close. There is more fluctuation in relations with Botswana, Swaziland, Lesotho, Zambia and Malawi. Mozambique tends to follow South Africa's lead on regional foreign policy, but there can be differences between the two over Africa-wide objectives and over the treatment of Mozambican nationals in South Africa. The country is also looking increasingly at its neighbours as markets for its port trade and for energy exports – sectors that will become more important once its gas projects truly take off.

Mozambique's image as an increasingly wealthy country on account of its resources is attracting illegal migrants. Economic and political instability in neighbouring countries such as Zimbabwe, Malawi and Swaziland has caused illegal migration to grow. In 2008 and 2009, at the peak of the political and humanitarian crisis in Zimbabwe, thousands of its citizens crossed the border into Mozambique, mainly into the adjacent Manica and Sofala provinces.¹⁷¹ Zimbabwe has been particularly vocal about RENAMO's renewed violence in 2013–14.¹⁷² It has deployed military advisers and has watched developments with some

anxiety, given the strategic importance for it of keeping the Beira corridor operational.

Unlike Zimbabwe, Swaziland is not a priority for Mozambique, which leaves leading on the issue to South Africa. However, Mozambique has discouraged Swaziland's efforts to become an observer within the Community of Portuguese Speaking Countries (CPLP).¹⁷³

Promoting integration through its transport corridors and ports such as Maputo, Beira and Nacala is a key part of Mozambique's regional economic diplomacy. A World Bank assessment is sobering, though, in its comparison of Maputo with Durban. It concluded that:

Some large South African shippers still perceive the business climate as unpredictable and are reluctant to redirect their logistics routes. Corruption is more present in Maputo than in Durban ... Bribes are paid on about 36 percent of all cargo movements for the port of Durban, costing an average of 7 percent of a one-way overland shipping rate for a standard 40 foot container. For Maputo, bribes are paid on about 54 percent of all cargo movements, and costing for 15 percent of the overland shipping rate for the same standard shipment. Unreliable logistics and poorly integrated trucking services make South African shippers even more reluctant to use Mozambican ports, especially Maputo. Moreover, scanning fees continue to be higher than world practices ... and are levied even on bulk exports, such as coal and sugar.¹⁷⁴

In 2013 President Guebuza completed his term as chair of SADC, and former finance minister Tomas Salomão stepped down as SADC executive secretary after two four-year terms. Mozambique does recognize the limits to its international ambitions, as demonstrated by its rejection of the African Union (AU) vice-presidency for Southern Africa in 2014 and thus the chair in 2015. It would seem that Mozambican officials concluded it was inappropriate for the country's new president, sworn in in January 2015, to become AU chair immediately.

In 2010 the government adopted a foreign policy document ('Making More Friends: promoting more partnerships'), as well as an International Cooperation Policy and its Implementation Strategy.¹⁷⁵ Underpinning these is defence of independence and sovereignty, the consolidation of national unity, and upholding the ties of friendship and cooperation with all states. Seeking the establishment of an equitable world order in international relations, the affirmation of Mozambican identity abroad

¹⁶⁹ Oldemiro Balói, 'Mozambique's International Diplomatic and Trade Perspectives', speech at Chatham House, 1 December 2010, <http://www.chathamhouse.org/publications/papers/view/109533>.

¹⁷⁰ Ibid.

¹⁷¹ Kiwanuka, Monica and Tamlyn Monson (November 2009), 'Zimbabwean migration into Southern Africa: new trends and responses', Forced Migration Studies Programme, University of the Witwatersrand, <http://www.migration.org.za/uploads/docs/report-19.pdf>.

¹⁷² 'Zimbabwe warns Mozambique's Renamo not to resume war', BBC News, 23 October 2013, <http://www.bbc.co.uk/news/world-africa-24635338>.

¹⁷³ Vandome, Christopher, Alex Vines and Markus Weimer (2013), 'Swaziland: Southern Africa's Forgotten Crisis', Chatham House Africa Programme Report, p. 33, <http://www.chathamhouse.org/publications/papers/view/194142>.

¹⁷⁴ World Bank (March 2012), 'Mozambique Reshaping Growth and Creating Jobs through Trade and Regional Integration', p. 52.

¹⁷⁵ Balói, 'Mozambique's International Diplomatic and Trade Perspectives'.

and solidarity with the struggle of African peoples all feature. Mozambique officially also advocates the strengthening of democracy and freedom.¹⁷⁶

Attracting more investment and partnerships for development are a key part of Mozambique's external strategy. It learned from the Cold War era that it benefited from multilateralism and increasingly from being genuinely non-aligned. The country seeks to establish and renew international partnerships, and to diversify its relations by engaging with emerging economies and building South–South ties.

India, for example, is a key partner, and the relationship was strengthened after President Guebuza's visit to that country in 2010. Annual visits by Mozambican ministers have doubled, to an average of 12 since 2010. With several large corporations present in Mozambique, India is one of its largest trading partners. It ranks regularly among the top five, and is currently the second largest importer into and fourth largest exporter from Mozambique, increasing its influence through acquisitions such as Rio Tinto's coal mines in November 2014.¹⁷⁷

Brazil also sees Mozambique as an important African investment partner. The Brazilian company Vale, with large and strategic assets in the country, is a key player in the coal mining industry. In 2011 President Dilma Rousseff visited, with the message that Mozambique is Brazil's most strategic partner in Africa, with a total of over 40 aid projects in different sectors from science to health and agriculture.¹⁷⁸

China's long political, economic and military partnership with Mozambique has not been as strategic as is the case with other African countries such as Angola. It is Mozambique's preferred option for access to concessional credit and investment (as for many other African countries). China is a key partner for providing credit for infrastructure projects, seemingly with no strings attached.¹⁷⁹ China National Petroleum Corporation holds a 20 per cent stake in a key block operated by Italy's Eni in Cabo Delgado.

Mozambique has also become increasingly important for Japan, which opened a diplomatic mission in Maputo in 2000. It was one of three African countries visited by Prime Minister Shinzo Abe in 2014, on the first visit to the continent by a Japanese premier in eight years. This was a sign of the strategic value of Mozambique as Japan

seeks to diversify its energy supplies, such as gas and coal, following the Fukushima disaster.¹⁸⁰ Accompanying Abe were the heads of Mitsubishi Corporation, Nippon Steel and Sumitomo Metal, Nikki, IHI and Sumitomo Mitsui Banking.

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Japan is not part of the G19 group of donors, and chooses to negotiate annually and bilaterally with Mozambique; in 2013 it provided \$98 million in aid. Its cooperation has been criticized in a number of public forums, however, as a result of the ProSAVANA project, a trilateral large-scale agriculture initiative between Mozambique, Japan and Brazil, being seen as a threat to community access to land for agriculture and local livelihoods.

Interest in Mozambican gas is largely from Asia. Thai, South Korean and Indian companies have bought into concessions. South Korea opened an embassy in Maputo in 2013.

Mozambique's post-conflict experience has also given it a voice through international organizations such as the AU and the UN. It has contributed to mediation efforts in Sudan (Darfur), northern Uganda, Madagascar, Burundi and Timor-Leste.

With increased sea piracy and maritime crime, Mozambique has welcomed more visits by Indian and other naval forces to its ports. Through SADC and the Indian Ocean Rim Association for Regional Cooperation (IOR-ARC), Mozambique has become active in maritime security in recent years. In December 2010, after Somali pirates struck off the coast of Mozambique, South Africa's Department of Defence deployed warships to Mozambique (Operation Copper).¹⁸¹ This arrangement was formalized in February 2012, when South Africa signed a memorandum of understanding with Mozambique and Tanzania under the auspices of SADC.¹⁸² It is not just maritime crime that worries the authorities. Land-based organized crime is also an increasing threat to Mozambique.

¹⁷⁶ Ibid.

¹⁷⁷ See European Commission (2014), 'European Union, Trade in goods with Mozambique', http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113422.pdf.

¹⁷⁸ Stolte, Christina (2012), 'Brazil in Africa: Just Another BRICS Country Seeking Resources?' Chatham House Africa Programme Briefing Paper, <http://www.chathamhouse.org/publications/papers/view/186957>.

¹⁷⁹ Alden, Chris and Sérgio Chichava (eds.) (2014), *China and Mozambique: From Comrades to Capitalists* (South Africa: Jacana Media).

¹⁸⁰ Interview with Mozambican diplomat, Tokyo, 5 February, 2014.

¹⁸¹ Department of Defence of the Republic of South Africa, 'Operation Copper – Maritime Security on the Mozambican Channel', http://dod.mil.za/operations/international/operation_copper.htm.

¹⁸² Department of Defence of the Republic of South Africa, 'Minister Sisulu signs Memorandum of Understanding (MOU) on Maritime Security Cooperation with Tanzania and Mozambique', 7 February 2012, http://dod.mil.za/ministry/media_statements/2012/moutanzaniamozambique.pdf.

7. Links between Challenges

The issues outlined in earlier chapters – rents from the primary extractives sector, the development of large-scale agribusiness, regional disparities in development, and youth unemployment – present a variety of huge positive opportunities and very significant challenges for Mozambique. What they have in common is the influence of politics. President Nyusi's government now has the task of developing and applying the best policies that allow the provinces to flourish. This will take enormous confidence from the centre, but without stronger and more effective provincial administration, Mozambique may fail to capitalize on its current and future gains.

Primary extractives, land rights and regional disparities

Gas developments are highly concentrated and can have a minimal physical footprint. From the operator's perspective, and under an ideal scenario, it is possible to construct the necessary infrastructure using the pool of specialized global resources. For example, Chinese, Sri Lankan, South Korean and Filipino engineers all worked on a recent LNG development in Yemen. Once the facilities are commissioned, and assuming access to a pool of specialized contractors, it is possible to run a modern gasfield with very few staff.

However small its permanent labour requirement, the oil and gas industry pays salaries for skilled and semi-skilled technical staff on a distorted scale.¹⁸³ This can lead to significant unrest.¹⁸⁴ If, for example, a gas contractor's day-rated technicians are paid \$240/day, this equates to half the average annual income for a Mozambican worker. In African petro-states, this means that, for instance, a welder or a fork-lift driver on a gasfield will earn more than a junior doctor, a mid-level civil servant or an experienced head teacher of a major secondary school. This leads in turn to a vicious market in oil jobs, especially where companies are obliged to hire national labour and they develop strong nepotism networks.

Even if there is a decree obliging companies to hire from Mozambique's hydrocarbon-producing regions, the links to access that work will be run from Maputo, since this is where the companies' offices are. Moreover, since the oil and gas industry is broadly anglophone, the primary consideration for hiring for skilled positions will be the capacity to speak

English, setting the education bar at a technical and language level attainable primarily by the urban elites.

The alternative strategy – one not popular with national governments – is to open the market up to international labour, which is significantly cheaper and more flexible, and does not require years of training. This option may lower costs and create more revenues for Mozambique, but it has never been taken. The governments of many emerging petro-states insist on distributing disproportionately well-paid oil and gas jobs among 'their people' – again meaning the urban elites, in what is in effect a subtly franchised patronage network.

The optimum strategy to follow is probably to develop and apply a clear policy whereby major international companies developing assets in Mozambique can use international contractors to bring the projects to fruition in a timely and cost-effective manner – without the requirement to use Mozambican contractors. Meanwhile, a specific public-private partnership project should develop skills in the local and national labour pool to enable this to fill long-term positions. The same applies to local content in engineering and supply. Just as Mozambique does not have the capacity to construct offshore gas installations, it probably has no need to develop that capacity if there is a vigorous and competitive international market. International companies investing in Mozambique should not be obliged to purchase goods through suppliers rather than on the global market, but there should be a clear preference for local products that meet the required criteria, where these exist.

Since policies aimed at attracting major industrial investments and the allocation of labour contracts are highly politicized, and since the longer-term view usually produces the best outcome, the new government has a significant advantage in – and incentive for – developing and applying the most positive measures.

At the upstream end in sub-Saharan Africa, there are many farming and fishing communities that have been pushed to one side by the influx of investments and have lost their land and their livelihoods as a result of primary extractives projects. Procedures to negotiate for access and deliver compensation are fudged or perfunctory, and companies forge ahead and buy their way out of trouble if and when things get out of hand. The laws governing land rights under major developments frequently lack granular detail and muscle, and the affected people are all too often left destitute. Social risk is frequently played down. This could easily be avoided, since the number of

¹⁸³ Hays Oil & Gas (2013), 'Oil and Gas Global Salary Guide: Review of 2013, outlook for 2014', http://www.hays.com/cs/groups/hays_common/@og/@content/documents/promotionalcontent/hays_1204734.pdf.

¹⁸⁴ Aratuo, David Naab (2015), 'Off-Shore Oil in Ghana: Potentials for Conflict and Development', in Helen Hintjens and Dubravka Zarkov (eds.), *Conflict, Peace, Security and Development: Theories and Methodologies* (Abingdon: Routledge).

people involved, and what would constitute very generous compensation, typically represent a minuscule fraction of overall project development costs.¹⁸⁵

Lack of integration and local labour input increases the likelihood of the worst-case scenario whereby communities become disaffected and turn to violence. In such a scenario, the gas industry retreats into an enclave, with well-educated labour from the capital being flown in and out under protection from private security firms and/or the army.¹⁸⁶ The scenario can easily come true by default, yet operators usually fail to make the best decisions. There are three key reasons for this.

First, oil and gas companies leverage large sums of money to run their developments, and the faster they pay it back the happier their shareholders will be. They therefore calculate that, even if there is a risk posed by local people, once output is flowing the profits will be high enough for them to buy their way out of trouble.

Second, governments do not want to see projects delayed while the companies' representatives and consultants go through a full, IFC-compliant exercise of community consultation, negotiation and resettlement.¹⁸⁷

Third, competition between operators to hire the best labour from a limited local pool causes salary inflation. The main beneficiaries of this are the educated elites.

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Mining is different from oil and gas, involving a very large physical footprint and a significant level of environmental impact. Mines also employ a semi-skilled workforce that can be drawn from local communities. Most of all, mines operate on small margins, and do not have the huge salary disparities prevalent in the oil and gas sector. While oil and gas is technology-dependent, mining is labour-dependent. Both share the same primary social risks, such as access to jobs and compensation for loss of lands or livelihoods, but mines also offer two significant benefits.

First, they have a positive impact on local business, with the multiplier effect for every job created inside the mine being between 1.8 and 2.6 jobs created outside the mine.¹⁸⁸ Second, linkages with artisanal mines can increase their safety and productivity, and also guarantee minimum prices for small-scale producers to sell to larger mines.¹⁸⁹

These local benefits from mines are much simpler to achieve where the resource itself is fragmented, as in Zimbabwean and Ghanaian gold, Zambian copper or current ventures in eastern Democratic Republic of the Congo. In Mozambique, however, the large-scale coal mining in Tete is a highly capital-intensive and mechanized operation with far fewer opportunities for small and medium-sized enterprises (SMEs).

Youth unemployment, regional disparities and politics

Mozambique's labour force grows at around 3 per cent per year. To absorb the current unemployed and take on board the new entrants to the labour pool, formal salaried employment would have to grow at 20 per cent a year for a decade. Since this is not going to happen, policy must direct investment away from the current hubs and into the hinterlands in order to reduce provincial disparities and the potential for conflict.

The emergence of SMEs in the provinces is restrained not so much by the availability of labour, but by the lack of infrastructure, primarily roads and electricity. Other key constraints cited by business owners include legal access to land, taxation, government bureaucracy and corruption.¹⁹⁰

Building a competitive, skilled labour force is a major challenge when the development economy is spread so thin. Mozambique has made exceptional progress in primary school enrolment and basic education. The data on enrolment and attendance clearly indicate a strong desire for education among the population. Access to education is highly variable, however, and data suggest that rural children have to walk two to three times further to school than do urban children. The transition from primary to secondary schools is also less certain in rural areas than in urban ones.¹⁹¹ This tallies with the

¹⁸⁵ A community of 70,000 is estimated to have 864 households, with a nominal annual income per household of \$5,150. If a company gave each household 12 years' income at three times the current rate, it would equal \$185,000 to each one, or \$160 million in total. If the project value is \$4.3 billion, this represents just 3.7 per cent of project costs. (Authors' own calculations.)

¹⁸⁶ As is the case in Algeria, Nigeria, Chad/Cameroon, Angola (Cabinda), Yemen and Equatorial Guinea, and to some extent the Republic of the Congo, Gabon and Ghana.

¹⁸⁷ Despite pressure from Indonesia, BP took five and a half years to negotiate resettlement around a LNG prospect in Tangguh, West Papua. BP assessed that a mistake ending in community dissatisfaction would damage its global reputation. Commissioned in 2004, Tangguh is successful and peaceful.

¹⁸⁸ Frick, Nok (2002), 'Direct foreign investment and the environment: African mining sector', paper presented at OECD Global Forum on International Investment: Conference on Foreign Direct Investment and the Environment, 7–8 February 2002.

¹⁸⁹ World Bank, 'Artisanal and Small-Scale Mining', 21 November 2013, <http://www.worldbank.org/en/topic/extractiveindustries/brief/artisanal-and-small-scale-mining>.

¹⁹⁰ Fox, Louise, Lucrecia Santibañez, Vy Nguyen and Pierre André (2012), 'Education Reform in Mozambique: Lessons and Challenges' (Washington, DC: The World Bank), p. 46.

¹⁹¹ Ibid, p. 18.

Table 8: Secondary schools by province

Province				Secondary schools		
Area (sq km)	Population	Population density		ES1 (age 13–15)	ES2 (age 16–17)	Total population per ES2 school
Cabo Delgado	78,778	1,830,124	23.23	25	8	228,766
Gaza	75,334	1,367,849	18.16	58	20	68,392
Inhambane	68,775	1,451,081	21.10	39	13	111,622
Manica	62,272	1,800,247	28.91	56	13	138,481
Maputo city	347	1,209,993	3,487.01	72	23	52,608
Maputo province	22,693	1,571,095	69.23	40	13	120,853
Nampula	79,010	4,767,442	60.34	71	38	125,459
Niassa	122,827	1,531,958	12.47	34	6	255,326
Sofala	67,753	1,951,011	28.80	39	15	130,067
Tete	98,417	2,322,294	23.60	70	9	258,033
Zambézia	103,478	4,563,018	44.10	69	19	240,159
TOTAL		24,366,112		573	177	137,662

Source: <http://www.humanitarianresponse.info/en/operations/mozambique/document/mozambique-population-data2007-census2012-projection>; Ministério da Educação (2009).

Map 6: Out-of-school rates, children aged 7–14



Source: FHI 360 Education Policy and Data Center (2008).

urban–rural disparity in the number of children out of school: 21 per cent of rural children aged 7–14, compared with 10 per cent in urban areas (see Map 6).¹⁹²

Inequalities in access to secondary education are marked, particularly at upper-secondary level (see Table 8). For instance, broad calculations based on the number of upper-secondary institutions per province suggest that the overall population per school in each of Cabo Delgado, Niassa, Tete and Zambézia is more than four times the equivalent in Maputo city.

Such disparities are going to make it very hard for young people from the poorest parts of Mozambique to take full advantage of the incoming capital investments in primary extractive industries.

¹⁹² FHI 360 Education Policy and Data Center (2008), 'Mozambique: Out of School Children of the Population Ages 7–14', http://www.epdc.org/sites/default/files/documents/Mozambique_OOSC_Profile.pdf.

8. Recommendations

This report has focused on a select set of issues in Mozambique. Around these, it is possible to frame some areas where donor intervention can be of significant value in assisting the new administration in achieving the best outcomes. This year's floods and cholera epidemic underscore the need for continued humanitarian aid. The analyses underpinning the report have repeatedly found that regional disparities pose a risk to Mozambique's fulfilling its potential, and to peace and security in the country.¹⁹³

The interface between the major international primary extractives companies and the government is a new area for Mozambique. The LNG sector falls under the auspices of MIREM, but both the ministry and the petroleum institute within it are only a decade old. There is an ongoing World Bank project in support of the ministry, but no producers' association has emerged.¹⁹⁴

Producers' associations serve a number of useful functions that can benefit government and private sector interests. For instance, they allow companies to flag issues without risking a commercial backlash. They also allow governments to negotiate for minimum standards and benchmarks. However, some African petro-states have been reluctant to promote producers' associations because they dislike the idea of companies forming a strong cartel. Likewise, the concept is sometimes hollow in countries where one operator is dominant, as this essentially sets a singular agenda that other companies follow. However, a producers' association can play an essential part in ensuring collaboration between operators in clear win-win areas. These include promoting technical education, providing a neutral interface for public consultation over socio-economic impact assessments, and listening to communities in producing areas. If a major donor offers to cover the core costs, a producers' association in Mozambique could add neutrality and credibility to the private sector agenda.

Mozambique's land law is an instrument that has broadly served its remit in the post-colonial era. However, legislation relies on governance for its application, and in Mozambique legal norms are in part determined by the national and local governance context. The new mining law gives concession-holders access to land under a framework that overrides the land law, while at a local level provincial administrations must have the political

will to apply land and labour laws.¹⁹⁵ As more investments in agribusiness, minerals extraction and hydrocarbons are made, the potential for distortion of the law is great, and the consequences of any conflict over land should not be played down. The final evaluation of the iTC, published in 2014, shows that support for rural land registration and community empowerment can be tactically improved.¹⁹⁶ At another level, the concept has significant potential in avoiding conflict over land in the interface between private-sector investors and local communities in and around the LNG and other extractives developments.

The analyses underpinning the report have repeatedly found that regional disparities pose a risk to Mozambique's fulfilling its potential, and to peace and security in the country.

Mozambique has an opportunity to make substantial progress in line with the IMF's ongoing PSI.¹⁹⁷ This works in support of the public financial management (PFM) field and the national financial system. The IMF has consistently emphasized the development of rural infrastructure that enhances agricultural productivity, together with support for employment in the private sector. Specifically, the IMF has called for an instrument to improve the management of windfall revenues (i.e. LNG concession payments and share transfers, and revenues in the future). The development of a mechanism to smooth the large variation in resource rents will be of benefit. This implies that Mozambique should opt for a fiscal rule, possibly coupled with the creation of a stabilization fund, to ensure a secure and predictable flow of resource revenues to budget expenditures. This should be extended to the current revenue-sharing mechanism to eliminate the excessive discrepancies between budgeted and transferred amounts within any year and from year to year. With the current price outlook for oil and gas, and the profound need for public investment, there is no requirement for Mozambique to establish a sovereign wealth fund with an investment mandate along the Norwegian model.

EITI currently covers both mining and hydrocarbons. Mozambique's performance in EITI is still patchy, but there

¹⁹³ Effective Development Group, GRM International and the QED Group (2014), 'Evaluation of the Mozambique Community Land Use Fund: Final Report 2013'.

¹⁹⁴ World Bank, 'Mozambique Mining and Gas Technical Assistance Project', <http://www.worldbank.org/projects/P129847/mining-gas-technical-assistance-project?lang=en>. There is the African Petroleum Producers' Association (based in Nigeria), but Mozambique is not a member.

¹⁹⁵ Twomey, Hannah (July 2014), 'Displacement and dispossession through land grabbing in Mozambique: The limits of international and national legal instruments', Refugee Studies Centre, University of Oxford, Working Paper Series No. 101, <http://www.rsc.ox.ac.uk/publications/displacement-and-dispossession-through-land-grabbing-in-mozambique-the-limits-of-international-and-national-legal-instruments>.

¹⁹⁶ Effective Development Group, GRM International and the QED Group (2014), 'Evaluation of the Mozambique Community Land Use Fund'.

¹⁹⁷ IMF, 'IMF Staff Concludes Review Mission to Mozambique, Calls for Fiscal Prudence, More Inclusive Growth, and Greater Public Investment Transparency', Press Release No. 14/502, 5 November 2014, <https://www.imf.org/external/np/sec/pr/2014/pr14502.htm>.

was significant progress in 2014 – with reports covering data for 2011 and 2012 published. It is paramount that this progress is consolidated and improved on by the new government. The challenge will remain to bolster EITI performance by taking it beyond the technical level, improving revenue management and transparency in the budget process, and effectively engaging civil society. MIREM or the Ministry of Economy and Finance could be encouraged to publish consistent data on mineral and hydrocarbon production and prices on a monthly basis. Ongoing collaboration between the EITI international secretariat and the IMF in extending the classification of resource revenues in the GFSM 2014 could be adapted and applied to the Mozambican context. This could also pave the way for extending good practice on revenue management to commercial fisheries and forestry, since both are major commercial enterprises and *de facto* extractive industries.

The government of Mozambique is awash with advice on revenue management. Added value in this context seems to rest mainly in supporting coordination and ensuring that recommendations are not ‘off-the-shelf’ or ‘cookie-cutter’ approaches. Advice and recommendations to the government need to consider recent developments in the PFM literature by taking, as this report does, the country’s political economy into consideration.¹⁹⁸

Two norm-setting initiatives could assist the Mozambican government. The UN Guiding Principles on Business and Human Rights were endorsed by the UN Human Rights Council in 2011 and by a UN Working Group on business and human rights. These are just a first step on the road to greater corporate accountability, but Mozambique’s use of them could assist in benchmarking standards.

The VPs on Security and Human Rights set out a framework for stakeholders in major investments (particularly in the primary extractives and energy sector) to provide security for their operations in a manner that respects human rights. The government of Angola has signalled that it is considering joining this initiative, and Ghana has already done so.

There have been workshops on the VPs in Mozambique, but the government has yet to make a decision on their adoption. Such platforms bring together governments,

companies and NGOs, and would allow the country to get involved in a broader international network of best practices that would assist it in developing measurable benchmarks and standards.

Elections and parliament

International partners should encourage the amendment of electoral legislation to provide a clear system of complaints and appeals. If these are successful, international partners should also consider funding training for judges, electoral managing bodies and political parties on how to use these procedures. There is also a need to train electoral management bodies in counting and tabulation procedures.

If Mozambique’s political leadership allows the legislature to become more assertive, international partners should review past training exercises to see what worked and consider a new, cross-party training programme for members of parliamentary committees on accountability best practice.

Demobilization, disarmament and peacebuilding

War veterans, especially from RENAMO, have felt disadvantaged in trying to access to state pensions. This has enhanced a sense of marginalization and frustration. International partners could assist the government in setting up a more accessible and efficient national pension system for veterans.

Failed disarmament by RENAMO was a driver of the 2013–14 conflict. If relations with FRELIMO improve, international partners should support disarmament and peacebuilding efforts by faith groups and NGOs, especially in Manica and Sofala provinces.

¹⁹⁸ See for example Andrews, Matt et al. (July 2014), ‘This is PFM’, Harvard University, Center for International Development Working Paper, No. 285.

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The Royal Institute of International Affairs
Chatham House
10 St James's Square, London SW1Y 4LE
T +44 (0)20 7957 5700 F +44 (0)20 7957 5710
contact@chathamhouse.org www.chathamhouse.org

Charity Registration Number: 208223

