

C. Here and now: The current context

The present moment is considered a unique window of opportunity to revisit the Mozambican decentralisation process by conducting a PAE study and making it available to government, other stakeholders and Mozambique's aid partners and donors, as a contribution to a necessary discussion. What are the main events in the here and now that influence the course of Mozambique's political and economic agenda, development trajectory and approach to decentralisation, and their outcomes?

In the following sections we first analyse the present socioeconomic situation and outlook, which has suffered from the devastating impact of odious debts¹⁰³ and their consequences for economic growth, FDI and aid inflows as well as the international reputation of the country. We also address how the present severe economic crises affect local governments, i.e. municipalities.

Secondly, we shed some light, from a historical perspective, on the ongoing peace process, its shortcomings and prospects, and for which the issues of decentralisation, more autonomy for provinces and a review of the mode of choosing the governor have been sticking points. Others are the end of armed activity, the definite demilitarisation of the armed 'residual forces' of the Renamo opposition and their integration into the national security forces.

1 Economic Context and Outlook

Mozambique, once considered a model of development success, is undergoing a profound structural and cyclic economic and fiscal crisis with multiple symptoms, which, for some observers, are typical of a fragile state. For others, they are indicators of a state on its way to failure, taking the criteria discussed above (Part I, Section 2.3) into consideration. In this section, we highlight the key features of the current economic and fiscal crisis, which largely has domestic causes.

1.1 Odious Debt and Unsustainable Debt Burden

In the first quarter of 2016, large-scale government-guaranteed loans of some US\$2 billion became public. These were incurred by three Mozambican private companies linked to the security establishment: Mozambique Asset Management (MAM, US\$535 million), Proindicus (US\$622 million) and *Empresa Moçambicana de Atum* (EMATUM, US\$850 million). The sources of the credits were, in the case of Proindicus, loans from Credit Suisse and VTB Bank, and in the case of the MAM loans, VTB Bank. The EMATUM loan was raised on the European bond market, with

¹⁰³ In the following section, we draw on the study by Williams and Isaksen (2016).

US\$500 million managed by Credit Suisse and BNP Paribas, and US\$350 million arranged by VTB Capital. In incurring these liabilities, constitutional and budgetary rules were violated and the AR, whose assessment, approval and monitoring of such debt is required by Paragraph 2 of Article 179 of the constitution, was completely sidelined (Fórum de Monitoria de Orçamento, 2016). This opinion was later confirmed by both a parliamentary commission of enquiry and the Auditor General in the Third Section of the TA.

The credit was used to invest in maritime security in the expectation of a US\$100 billion investment in the exploration of natural gas in the northern part of Cabo Delgado. Because of security concerns, the credit deals were kept secret to avoid scrutiny by Parliament and the media, and partially camouflaged as investments into tuna fishing, with fishing boats acquired to this effect. However, as the parliamentary commission of enquiry and a minority report by its only opposition member suggests, the purpose was a military one, i.e. purchase of navy patrol and interception boats, coastal radar and aircraft. It also apparently included the clandestine purchase of weapons and means of troop transport destined for the war against the armed opposition. The main contractor of the equipment and services financed by the Credit Suisse and VTB credits and guaranteed by government was the naval security and shipbuilding company Privinvest, under the umbrella of Abu Dhabi Mar, a company run by Aram and Iskandar Sifa, French citizens hailing from Lebanon. According to estimates, the total value of the security-related hard- and software is about US\$500 million, one-third of the total debt incurred. The whereabouts of the remaining sum is at present under a forensic audit exercise, executed by international consultants Kroll Associates UK on behalf of the Mozambican Attorney General and financed by the Swedish government. The consultancy report, originally scheduled to be made public in March 2017, has not yet been handed over to the authorities. The deadline was extended twice due to difficulties getting access to accounts, notably those of Privinvest/Abu Dhabi Mar.¹⁰⁴

In April/May 2017, ignoring the verdicts of both the parliamentary commission of enquiry and the technical opinion of the TA, the Frelimo parliamentary majority approved, retroactively, the inclusion of the debts in the state accounts for 2015, which covers the odious debts incurred in the two years before. In doing so, Parliament not only contradicted itself but also plunged the country into a constitutional crisis, since the interests of the executive in the debt matter were given priority over the AR's role of authorising and monitoring government action in as far as these debts are concerned (CIP, 2017).

The odious debt and the way it has been politically handled has pushed the country's debt burden to unsustainably elevated levels, above 80% of GDP (see

104 The Wall Street Journal, 28/04/2017, <https://www.wsj.com/articles/auditorson2billionmozambiquedebtsalesstill-cantfindallthemonney1493399832>.

Part II, Section A, 3), and put enormous pressure on both the current account and the International Liquidity Reserves (*Reservas Liquidas Internacionais*, or RIL). The dramatic increase of debts discussed earlier was accompanied by a restructuring in the composition of debts. Non-Concessional Borrowing (NCB) increased 13 times faster than GDP, amounting to 34% of total public debt in 2014, jumping to 67% of GDP in 2015 (against 39% in 2008) (Castel-Branco & Massarongo, 2016a). NCB is much more costly than Concessional Borrowing (CB)¹⁰⁵ and risky when used for investments which have little prospect of producing medium-term returns, as the cases of EMATUM, etc. vividly demonstrate. Increasingly, NCB is used to finance those SOEs with financial and administrative autonomy, such as EDM, TDM, FIPAG and LAM, some of which were analysed in Section B, 2.4. Considered as fiscal risks by the World Bank, government itself believes that at least half of the SOEs are not economically viable and should therefore be privatised (Banco de Moçambique, 2016). Reliance on NCB may trigger a downward spiral of more financing needs or more borrowing, and/or a reduction of the primary budget deficit through a raising of revenue and/or reduction of spending. Both have a negative impact on private sector activity and growth and thus on revenue generation (Nucifora & Staines, 2010).

As the public and commercial debt grew, the country's international creditworthiness tumbled as per the ranking by rating agencies. Taking one of the three main international rating agencies, Fitch, as an example, in 2014 it still classified Mozambique in category B+ due to its impressive growth performance 'which had outpaced rating peers for more than a decade'.¹⁰⁶ Yet, only three years later, in April 2017, the country's rating score had been downgraded to RD, the lowest possible rating on a scale of 10 possibilities, due to the country defaulting on its credit obligations. This reflected 'the inability of the Mozambican government to cure the default on external debt to private creditors', having missed two payments (US\$60 million to the EMATUM-linked Eurobond, and another US\$119 million on loans to Proindicus) with no agreement with creditors in sight concerning rescheduling debt service payments.¹⁰⁷ The RD classification represents a non-investment grade and this downgrading sends a strong signal to potential foreign investors that the country is not a safe place for investment, curbing the confidence and attractiveness that Mozambique had in the previous boom phase. It further accelerated the drop of FDI already observable between 2013 and 2014, when FDI inflows and stock dropped from 40% of GDP to below 30%.

105 Highly concessional borrowing for CB according to the terms of the International Development Association (IDA) are at a 10-year grace period, 40 years' maturity and at 0.75% interest, whereas NCB is on commercial terms at a one-year grace period, 10 years' maturity and 9% interest (Nucifora & Staines, 2010).

106 <http://www.reuters.com/article/idUSFit92143520150501>.

107 <http://af.reuters.com/article/idAFFit997395>.

1.2 Fiscal and Economic Consequences

Following are the macroeconomic consequences of the odious debts and the other factors analysed at the present critical juncture:¹⁰⁸

- A reduction of the projected growth rate of 8% (2015) to 3.3% at present;
- A drop in foreign aid, as percentage of the total annual budget, from 40% in 2013 to 25% in mid-2016. Only in 2014/2015 was there a reduction of 25% in relation to 2014 aid inflow. The freezing of IMF support to Mozambique and of budget support by PAP left a 'hole' of US\$400 million;
- The depreciation of the value of the national currency (Metical) in relation to the South African rand and the US dollar between end of May 2015 and 2016, losing 68.6% of its value in relation to the dollar. This automatically implied an increase of the external debt/GDP ratio, as well as a negative impact on the current account, when, for imports of essentials, including food stuff, quoted in US\$, at least 70% more had to be paid than in the years before, leading to an outflow of RIL;
- The burden on foreign exchange reserves and the higher import prices led to an increase in inflation from 2% (in April 2014) to just below 20% (in April 2016), making even basic foodstuffs less and less affordable to the poorer strata of society;
- The drastic reduction of net RIL, from US\$2.6 billion in July 2015 to 1.8 billion in January 2016, reduced the country's import capacity and put the budget under stress, since the average annual export earnings also dropped by 10% during 2013 and 2016;
- A substantial drop in FDI between 2013 and 2015, of 40% or US\$600 million, corresponding to less than 30% of the FDI/GDP ratio. Between 2013 and 2016, the average annual decrease of FDI inflows was 26.6%;
- A significant drop of government expenditure and revenues from 2014 onwards;
- A generalised socioeconomic crisis leading to an increase of business closures and unemployment.

By the beginning of 2017, at least the depreciation of the Metical against foreign currencies as well as the dramatic outflow of RIL had come to a halt, with the Mozambican Central Bank (*Banco de Moçambique*) increasing interest rates and establishing restrictions on the outflow of foreign exchange, as well as on the import of non-essentials. However, there has been some 'invisible' damage done to economic actors and the society, which have increasingly expressed a vote of no confidence in the economic management capacity of

108 Data taken from Banco de Moçambique (2016, 2016a, b), IMF (2016) and Lazard Frères & White & Case LLP (2016).

the government. Government is blamed that ‘*não há dinheiro*’ (there is no business), a complaint often heard from business people of small and medium-scale enterprises from the north to the south of the country.¹⁰⁹ It will take time for the ‘bloodletting’ associated with the odious debts to be overcome, both economically and politically.

1.3 Impact on Municipalities

All municipalities are affected in three ways by the present economic crisis and the severe budget constraints:

- a) Diminishing national fiscal revenue, the basis of determining the fiscal transfers to municipalities (FCA, FIJA, FE), will reduce the total volume of transfers to municipalities, reducing their total revenue. Figure 8 (Section B, 5.5) illustrates the sharp drop in available resources for municipalities;
- b) The increasing inflation coupled with the deterioration of the exchange rate (relevant for imported goods and services) leads to an increase of cost on the expenditure side of the budget, lowering its ‘purchasing power’, especially concerning capital spending (infrastructure, heavy equipment, public services);
- c) The economic crisis leads to reduction of the economic and fiscal base, since it leads to reduced economic activity, closure of businesses, increased unemployment and reduced private spending. This negatively affects the OSR of the municipalities, and, together with the previous two points, produces a reduction of municipal capacity to improve municipal services in terms of quality and coverage. This in turn leads to less willingness of the municipal citizen to pay taxes, and to an informalisation of the economy.

The municipalities’ coping strategies will obviously vary with their size, economic and fiscal base, and technical and negotiation capacities of their governments. The larger and more economically diversified *autarquias* will be better equipped to absorb the shock caused by central government’s debt and budgetary policies.

Under these conditions, central government declared that spending of scarce resources will be on social infrastructure and services as priority areas. Spending on municipalities is unlikely to be a government priority.¹¹⁰ Municipal support programmes will thus increasingly be perceived not so much as partners in municipal development and governance, providing technical support, etc., but as a gap filler for an increasing municipal fiscal gap left behind by the economic and fiscal crisis

¹⁰⁹ Interviews with several municipal government officials and businesspeople in Nacala Porto, Ilha de Moçambique, 27-28/10/2016, and in Vilankulo (18/11/2016).

¹¹⁰ Interview with Eduardo Nguenha, Executive Secretary, ANAMM, Maputo, 7/11/2016.

of the national and local economy. Price increases for basic food, fuel, etc. are likely to produce social upheavals, criminality and insecurity, which may be difficult to contain. Social aspects of municipal development will therefore increasingly require the local governments' attention. Under the present socioeconomic conditions and fiscal stress, local regime changes in the municipal elections scheduled for October 2018 may not be excluded.

1.4 Economic and Fiscal Crises: A Critical Juncture

The debt scandal severely affects Mozambique's international reputation and the confidence of its citizens in the country's leadership at a critical juncture in its history.

Beyond the political and military conflict and ongoing peace negotiations, discussed in Section 2 below, there are five critical moments which come into play when analysing Mozambique's current economic and fiscal challenges.

1.4.1 Delayed Natural Gas Exploration in the Rovuma Basin

The first is the expected economic bonanza linked to the on- and offshore exploration, processing and export of natural gas in the Rovuma Basin in the northern part of Cabo Delgado Province. The country is also set to soon become a major global player in the LNG business due to enormous gas reserves in that province (and to a lesser extent in Inhambane Province). In fact, the deal involving EMATUM, Proindicus and MAM hinged on the premise that the operators in the gas business would buy the services from those companies, on the assumption that the companies 'would pay an annual fee of US\$3 million per rig, that vessels transiting the Mozambique Channel would be charged a fee for security services, and that the tuna fishing industry would provide revenues for loan repayments' (Williams & Isaksen, 2016, p. 7). As of September 2016, however, the two main oil and gas firms operating in the Rovuma Basin (Anadarko and ENI) had signed no contracts and the final investment decisions (FIDs) for both the onshore LNG plants (Anadarko-led consortium) and the offshore plant (ENI-led consortium) have not yet been taken. The FID in both cases is expected to take place by the end of 2017 (offshore) and by mid-2018 (onshore), despite Exxon Mobil having acquired a US\$2.8 billion share from ENI in March 2017 and a partially secured market (China). Both the odious debt-related decline of investor confidence in the government and the low energy prices play a role in the delay of LNG production, expected to come onstream in the early 2020s.¹¹¹ One of the major challenges is for ENH, shareholder in both the ENI- and Anadarko-led consortia, to raise its share of the investment volumes needed, estimated at US\$2.2 billion, under the present condition of damaged international reputation and creditworthiness.¹¹²

111 <https://furtherafrica.com/2017/04/05/japans-mitsui-expects-fid-on-mozambique-lng-project-in-april-june-2018/>

112 <https://www.ft.com/content/27c165a6-91d3-11e5-bd82-c1fb87bef7af>.

1.4.2 Change of Aid Paradigm with Reduction of Aid Inflows

Secondly, the contraction of the secret debt occurred at a time when the relationship with aid partners suffered a change of paradigm, away from ‘aid for development’ to ‘private investment for economic growth and resource extraction’, and with a profound process of change of commitments of donors and the modalities of aid delivery. This is felt most regarding the PAPs, which give budget support to the Mozambican treasury in various forms. Not only was the total number of PAPs reduced by five in 2015 (from 19 to 14), but the volume of aid has also been reduced, contributing to financing the budget with less than 30% at the beginning of 2016 as compared to around 50% about 10 years ago.¹¹³ The mix of aid modalities has increased, with a certain emphasis on sector- and pool-funded project support and substantial support to Mozambican CSOs. The causes are diverse and vary from country to country. They reflect domestic economic, social and political changes, such as the coming to power of elected parliaments less amenable to aid.

The reduction of aid flows prompted the Mozambican government to approach the IMF for emergency balance of payments assistance (de Renzio & Nuvunga, 2016). Shortly after the first disbursements of an IMF loan, the odious debts for the three aforementioned security-linked private companies, backed by government guarantees, came to light. The IMF and the World Bank, together with the other PAPs providing budget support (multi- and bilateral donors), suspended aid payments to the country. The IMF director general, Christine Lagarde, justified the boycott by citing the corruption in Mozambique and the withholding of relevant information for IMF’s routine country assessment. The IMF called for the forensic audit and stressed that, in line with IMF policies, it ‘could not disburse funds in a situation where we think the debt is not sustainable’.¹¹⁴ The other condition for resuming IMF support to Mozambique is a return to debt sustainability.

1.4.3 Adverse Global Economic Environment

The global environment for the Mozambican economy – extremely open and thus vulnerable to the volatility of global commodity and financial markets¹¹⁵ – is currently not very favourable, apart from the low international prices for crude oil which remained favourable for Mozambique between 2016 and 2017. During that period, the international price for LNG increased by a bit more than 50%, while the price for a barrel of Brent Crude only increased by around 7% from a historical low of US\$38 in March 2016.

113 Denmark, an important, reliable, generous and critical ‘donor’ and Mozambique’s partner for more than 40 years in various fields (agriculture, health, governance and justice reform, budget and private sector support, and decentralisation), will terminate its support altogether and close its offices by the end of 2018.

114 Cited in All Africa, 31/10/2016, <http://allafrica.com/stories/201611010136.html>.

115 As measured by the sum of imports and exports as per cent of GDP. This ratio has varied around 80% during the last four years.

Given the present low price of crude (in comparison to the high in 2013/2014), the current account registers savings in the import of liquid fuel. However, global demand and price prospects for major Mozambican exports (minerals, coal, metal/aluminium) are not very encouraging, except for unprocessed tobacco, rubies and graphite. Until mid-2016 the prices had dropped for key (potential) export products such as LNG (-21.4%), aluminium (-12.8%) and thermal coal (-10.7%), only to pick up again, in the case of the latter, by the beginning of 2017. Low commodity prices in turn increase pressure on the balance of trade and services. Mozambican energy exports to the region, a major potential market, have suffered from lack of commitment of potential buyers, notably South Africa, with a more hesitant inclination by foreign companies to consider the necessary investment in power generation and transport grids.

In addition, the following ongoing global changes impact on the Mozambican economy:

- China's economic contraction, indicated by annual growth rates lower than expected. This affects not only the demand for raw materials from Mozambique (e.g. minerals, timber), but also the foreign investment policies and the availability of concessional and non-concessional funding for infrastructure projects. Concerning the NCB, the political and credit authorities have issued instructions to the Export-Import (EXIM) Bank of China to thoroughly scrutinise investment and infrastructure projects, in recognition of the fact that Chinese capital exports to Africa have produced limited returns for the Chinese economy so far. The 'Chinese option' for financing infrastructure projects in Mozambique may therefore diminish in scope.
- The increase of the US interest rate from December 2015 onwards enticed capital, particularly from emerging economies, including BRICS (Brazil, Russia, India, China and South Africa), to move to the US markets, with the potential effect of reducing the inclination of investors from those countries to do business with African and other countries. Since Brazil, India, China and South Africa¹¹⁶ are preferential investment partners of the Mozambican government, which has high hopes of increasing investment and business transactions, these hopes might be partially dashed if capital from these countries increasingly moves to the US. The upward trend of US interest rates will increase during the tenure of US President Trump.¹¹⁷

116 Particularly South Africa as a potential market for LNG.

117 http://www.crfb.org/papers/update-cost-rising-interest-rates?gclid=Cj0KEQjwi7vIBRDpo9W8y7Ct6ZcBEiQA1CwV2KzTpT3p5c49EHm_ALG-5K8dm787eDpQSR3nyLifzKUaAraT8P8HAQ.

1.4.4 High Economic Cost of Corruption

At the time the odious debts were revealed in all their dimensions, Mozambique also featured prominently in the index lists of those countries prone to corruption. A study published by CIP in collaboration with U4 Anti Corruption Resource Centre/Chr. Michelsen Institute (CMI) estimated the average annual cost of corruption for the Mozambican economy as observed during the 10 years from 2004 to 2014 to be between a minimum of US\$500 million and a maximum of US\$4.9 billion (CIP, 2016a). The study is based on 36 case studies assessing various forms of corruption in a cross-sectoral manner. The worst case amounts to an estimated loss of about 11.6% of tax revenue, and the loss of over 17% of the value added to the Mozambican economy (CIP, 2016a). According to the 2015 Basel Anti-Money Laundering Index, Mozambique is in the top 10 highest risk bracket globally. The Index specifically mentions high rates of perceived corruption, lack of judicial strength and lack of public and financial transparency as key factors that enable money laundering. Recent notorious corruption cases for which there is evidence include the case of officials of LAM and the former minister of transport and communication allegedly receiving a bribe of US\$800 000 for the purchase of two aeroplanes from the Brazilian aircraft manufacturer Embraer.¹¹⁸ The other case is that of the manipulation of the import price for liquid fuel, which produced, in the period between November 2014 and February 2015, an estimated minimum of US\$80 million of illicit gain shared by a trader and the Ministry of Energy and Mineral Resources (*Ministério de Energia e Recursos Minerais*, or MIREME) (CIP, 2016b). In the latter case, no legal action has been taken.

1.4.5 Intra-Elite Conflicts

The last contextual element which helps explain the incurring of the odious debt is linked to an internal conflict and power struggles within Frelimo, prior to the 2014 general elections in which Frelimo, although still the majority party in the AR, lost seats to the opposition (see Figure 2). Also, the succession of the party leadership was at stake, with Guebuza seen as aiming, at least indirectly, to remain in power as Frelimo chairman or in a dominant position in the Political Commission. Under these conditions, the incurring of sector debt via the EMATUM, Proindicus and MAM loans may have served the purpose of bolstering party coherence by providing economic opportunities for opposing forces under the clout of the former president and party chairman. The study by CMI offers three ‘interlinked interpretations’ of the internal power struggles in the dominant party:

The first interpretation is that different factions within Frelimo are engaged in a period of infighting over the spoils from future gas revenues and who might enjoy

¹¹⁸ <https://noticias.mmo.co.mz/2017/04/paulo-zucula-constituído-arguido-no-caso-lam-embraer.html>.

them. Second: that a faction within Frelimo aimed to push for cleaner governance in the utilization of gas revenues. Third: that a struggle occurred as to how to deal with the armed political opposition, Renamo. Whatever the motivation for the internal Frelimo struggles, Guebuza faced a narrowing window of opportunity to leverage economic opportunities based on future oil and gas revenues (Williams & Isaksen, 2016, p. 7).

With these considerations, we now turn to an analysis of the current political context, where intra-elite cleavages also play a role in the lack of political settlement of the Mozambican conflict, juxtaposing the Frelimo government and the still-armed opposition.

2 Political Context: A ‘Second Civil War’ or a Failed Political Settlement?

2.1 Internal Peace Agreement Negotiated in 2014 – and Violated in 2015¹¹⁹

On 8 September 2014, some six weeks before the general and provincial elections on 18 October 2014, the AR unanimously voted in favour of the Internal Peace Agreement between the government and Renamo, signed by President Guebuza and Renamo leader Dhlakama on 4 September 2014. The Agreement complements the Amnesty Law for all crimes (on both sides) adopted by the AR the month before and promulgated by President Guebuza on 13 August 2014. This law gives amnesty to all those, on both sides, involved in security and military offences and crimes against state security, military crimes, and crimes against persons and property, committed between March 2012 and the time the law came into effect. It even covers specific political violence in Sofala Province dating back to 2002.

The centrepiece of the Peace Agreement, or, officially, the ‘agreement on the cessation of military hostilities’, foresees the referred cessation of hostilities and the integration of Renamo’s ‘residual forces’ into the army and police. The actual modalities thereof are left to specialists on both sides. The integration process is to be supervised by the Military Team of International Observers of the Cessation of Military Hostilities (*Equipa Militar de Observadores Internacionais da Cessação das Hostilidades Militares*, or EMOCHM), composed of 23 foreign military observers from Botswana, Zimbabwe, South Africa, Kenya, Cape Verde, Portugal, Italy, the United Kingdom and the US, as well as 35 from each of the government and Renamo, commanded by a brigadier from Botswana. The terms of reference for EMOCHM are specified in the agreement, and are most of its content.

¹¹⁹ The sequence of key events in this section is largely taken from the reporting by Joseph Hanlon in his ‘Mozambique News Reporting and Clippings’, <http://www.open.ac.uk/technology/mozambique/news-reports-2016-0>. Reference is also made to Chapter 3, ‘Political Settlement’, in Vines et al. (2015).

Both the Amnesty Law and the Peace Agreement, as well as a new electoral law approved by the AR on 27 February 2014, paved the way for Dhlakama leaving his headquarters in Satunjira in Gorongosa District (Sofala Province) to campaign in the general elections as Renamo's presidential candidate. He was met at his headquarters by diplomats, national mediators and Don Matteo Zuppi, of the *Comunità de Sant' Egidio*,¹²⁰ whose representatives were involved in facilitating the GPA signed in Rome on 4 October 1992. They escorted Dhlakama to Maputo, ending some two years in the bush in Gorongosa. The peace legislation also enabled Dhlakama to meet twice with President Filipe Nyusi in early 2015, after the latter won the presidential elections, replacing Guebuza, and was sworn into office on 15 January 2015.

Both pieces of legislation were negotiated in more than 70 rounds of talks held in Maputo at the Joaquim Chissano International Conference Centre. The government delegation was led by José Pacheco (minister of agriculture, former minister of interior and governor of Cabo Delgado Province), with Renamo Deputy Saimone Macuiana leading the Renamo side. A team of national mediators, initially rejected by the government, facilitated the negotiations.¹²¹ Apart from military questions and the disarmament of Renamo forces, other points on the agenda were the depoliticisation of the public administration, and economic inclusiveness. The fourth initial agenda point, a redesign of the electoral legislation, including the recomposition and repoliticisation of the electoral bodies,¹²² had already been agreed upon and turned into a new electoral law, approved unanimously by the AR on 27 February 2014.

It is important to stress that the negotiations between Renamo and the government were informal and excluded other political parties (MDM) and the media. The same is true for the process leading to the enactment of the pieces of legislation that did not follow the formal legislation process, but resulted from what was an agreement between two political parties, channelled to Parliament for approval in the national interest. These two parties, one of them in government, have been dominating politics since the GPA of Rome and their military and political stances and actions have been decisive in the question of war and peace in Mozambique (see Part II, Section C, 2).

The negotiations leading to those agreements were instrumental in bringing about the end of a period of political violence between the Renamo guerrillas and the Mozambican defence and security forces between 2012 and 2013, notably in the

120 Presently bishop of the diocese of Bologna, Italy.

121 The team was composed of Lourenço de Rosário, rector of Apoliténica; Dom Dinis Sengulane, Emeritus Bishop of Pequenos Libombos; Father Filipe Couto, ex-rector of both Universidade Católica de Moçambique and Universidade Eduardo Mondlane; Reverend Anastácio Chembeze, Christian Council of Mozambique and head of the Mozambican Electoral Observatory; and Tafseer Sheik Saide Habibo, *Comunidade Mohametana* and member of the National State Council.

122 National Electoral Commission (*Comissão Nacional de Eleições*, or CNE) and the Technical Secretariate of Electoral Administration (*Secretariado Técnico da Administração Eleitoral*).

central region of the country and in Muxungue on the south/north highway EN1. They also brought about a calm environment conducive for political campaigning and elections on 18 October 2014. The Mozambican forces repeatedly attempted to take the Renamo headquarters by military assault operations, including shelling with heavy weapons, once successfully, in October 2013, when they took Satunjira, triggering a renunciation by Dhlakama of his commitment to the Rome GPA of 1992. But they could not consolidate their positions and find an answer to the sympathies and protection the local population offered the Renamo leader.

Mozambique's military conflict from 2012 to 2014 cost the country dearly in terms of loss of life and economic damage, since it impacted negatively on the transport and logistics industry (through interruptions of traffic on the EN1, which, despite armed convoys, was repeatedly attacked), on tourism and on investor confidence. The damaging economic effects of the conflict and the war-related terminology used by the warring parties, including in their 'peace agreement', led to the perception that the conflict represented more than 'military tensions' or 'political violence'. For this reason, Igreja (2015, p. 35), analysing the wording of the peace agreement, speaks of a 'second civil war'. In his opinion, the 1977–1992 war between the government and Renamo forces needs to be considered a civil war, notwithstanding the fact that Renamo was, up to 1986, instrumentalised and supported by apartheid South Africa in its own regional destabilisation campaign. This point is certainly contested by the country's political leadership, which refutes such assertions and maintains that the war was one of destabilisation, with Renamo being a 'puppet' supported by the then apartheid regimes in Rhodesia and South Africa.

With the electoral results showing a win for both the Frelimo presidential candidate Nyusi and his party – both with less votes in comparison to the 2009 election (see Part II, Section B, 1) – and amid allegations, and some evidence, of cases of electoral fraud, intransparent procedures and manipulations, the political tensions between Renamo and Frelimo began to increase again at the end of 2014 after the official electoral results were announced by the National Electoral Commission (*Comissão Nacional de Eleições*, or CNE) and validated by the Constitutional Council.

Afonso Dhlakama – with 1.8 million votes, three times as many as in 2009, and his party increasing their numbers in Parliament from 51 to 89 deputies – alleged, without much evidence, that due to fraud he was deprived of becoming the president of the country. He claimed that he and his party won the elections, particularly in six of the 10 provinces (Niassa, Nampula, Zambezia, Tete, Manica and Sofala). According to the results proclaimed by the CNE – and contested by Renamo – the party had won parliamentary elections only in Sofala and Zambezia,

and provincial elections in Zambezia, Tete and Sofala, with Renamo's presidential candidate gaining most votes in Sofala, Manica, Tete, Zambezia and Nampula.

The sympathies for Renamo among the electorate had increased, contrary to the expectation of many that the party's military action during 2012 and 2013 would cost Renamo votes,¹²³ but it was not sufficient to attain power. The party and its leader's increased popularity was also evident in Dhlakama's postelectoral travels through the country, in which he tried to convince his audience that he had won the elections. On rallies often attended by large crowds he demanded an interim caretaker government of national unity to restructure the army, police and civil service, and therefore rejected his special status as opposition leader.¹²⁴ He also threatened to 'make a revolution' if his suggestions, particularly regarding the creation of six autonomous provinces (Niassa, Nampula, Zambezia, Tete, Manica and Sofala), were rejected by the new government. In this case, he would seize them by force and install his own government, nominating Renamo governors.

President Nyusi offered an 'olive branch' of peace to his opponent by meeting Dhlakama twice in Maputo, on 7 and 9 February 2015. After the latter occasion the public was informed that Nyusi had convinced Dhlakama that the best way to change the status of provinces into autonomous provinces was via the submission of a legislative initiative to Parliament for discussion, a proposal acceptable to Dhlakama. His party submitted a bill to this effect to Parliament for reading in its first annual session from April to June 2015. It was rejected by the Frelimo majority, as was Renamo's attempt to remedy the bill's legal caveats by submitting a draft amendment to the constitution to the AR for its second session in October to December 2015 (see below).

The period between February and October 2015 saw a worsening of the political tensions, a return to armed clashes in various parts of the country and the official end of the national negotiation process, despite reaching an agreement in June 2015 on separation of state and party, brought about by the mediators at the Joaquim Chissano International Conference Centre. However, the mediators communicated to the public that neither negotiation team really had an interest in making concessions, 'intentionally deadlocking' the talks, and suggested that only another meeting between Nyusi and Dhlakama would be able to resolve the pending issues, notably the demilitarisation of Renamo forces and their integration into the army and police. The issue of autonomous provinces was not part of the negotiation agenda, but was considered a pending issue at the high-level talks between the Frelimo and Renamo presidents,¹²⁵ not only grinding

123 A trader and business owner in Nampula expressed what many Mozambicans would obviously agree with when he suggested to one of the team members that Renamo's military action was necessary to force Frelimo into concessions and not 'eat everything' themselves. Personal communication, Nampula, 13/10/2015.

124 A law on the 'Special Status of the Leader of the Second-largest Party in Parliament', tabled by Frelimo, was approved by the AR on 3 December 2014. It foresees diplomatic status, free adequate housing, generous remuneration, free international travel, etc., annually worth an estimated US\$1.8 million. See http://www.rtp.pt/noticias/mundo/parlamento-mocambicano-aprova-estatuto-do-lider-da-oposicao_n787137.

125 Interview with one of the national mediators, Maputo, 02/10/2015.

the talks at the Conference Centre to a halt, but also foreclosing a meeting between Nyusi and Dhlakama. At the end of August, Dhlakama rejected an invitation by President Nyusi for a meeting and suspended the negotiation process at the Conference Centre, after 113 meetings since April 2013. Instead, both sides sharpened their political rhetoric. New clashes between the government and Renamo forces were reported from July to November 2015, some of them fought with heavy weaponry. A ‘Savimbi option’ of the security forces, i.e. the physical elimination of the Renamo leader, was publicly discussed in the media and questioned by renowned academics.¹²⁶

President Nyusi insisted on fully and unconditionally disarming Renamo forces, stating that there could not be two armies in the country. Simultaneously, his government wooed Renamo soldiers, most of them ex-members of EMOCHM, who were presented to the public and integrated into the armed forces with considerable publicity. EMOCHM’s mandate had not been extended by the government upon the recommendations by the Frelimo political commission. The mission’s ‘end of mission’ was announced by Frelimo negotiator Pacheco in June, to the dismay of Renamo.

On 12 and 25 September 2015, respectively, military units associated with government forces¹²⁷ attacked Dhlakama’s motorcade in two locations in the provinces of Sofala and Manica. The latter attack caused Dhlakama to retreat again into hiding in the Gorongosa mountains. Behind the scenes, renewed efforts were made by national mediators and Dhlakama’s close advisors to bring about a Nyusi–Dhlakama meeting. These were only partially successful and were discontinued in early October 2015. Mediators managed to convince the Renamo leader to leave his hideout and travel to Beira with them and some journalists on 8 October. In the early morning of the following day, Dhlakama’s residence in Beira was assaulted in a major military operation, his bodyguards detained and disarmed before their release, and the opposition leader put under house arrest. He disappeared days later, again to his safe hideout in the Gorongosa district, where, at the time of writing, he continues to live and command Renamo’s fate.

Not only did this operation shatter confidence in the national mediators, but it effectively brought the peace agreement of 9 September 2014 to a grinding halt. It had lost its *raison d’être*, again raising the spectre of a new round of military clashes and uncertainty at a time when the country could ill afford renewed conflict.

According to the party’s chief whip in the AR, Maria Ivone Soares, Renamo’s three main conditions for resuming elevated-level talks with the Nyusi government were:¹²⁸

126 E.g. by Prof Lourenço do Rosário, one of the national mediators (see *Savana*, 2 October 2015) or by the political analyst and communication expert, Egidio Vaz (see <http://ideiasdemocambique.blogspot.com/2015/11/aprender-de-angola-que-licos.html>).

127 An interview with an alleged member of the Special Police Unit (*Unidade de Intervenção Rápida*, or UIR) speaks of the existence of ‘a death squad’ tasked with targeting opposition members, including Dhlakama. See *Savana*, 11 March 2016.

128 Interview, 09/12/2015.

- a clear agenda, which could include the issue of autonomous provinces given that the Renamo legislative initiatives on this matter had failed;
- new national mediators, preferably from the Catholic Church; and
- involvement of international mediators, preferably South African President Jacob Zuma.

The Renamo leader, in a phone call to journalists from his hiding place, however, returned to his discourse of violence and announced that he would, if necessary by force, take over the six provinces where he claimed to have won and install his own government by March 2016.

On the government's side, President Nyusi appeared to have managed to tune down the militant discourse and stance of some of his party members and of the security forces, appealing to the latter not to push the demilitarisation of Renamo soldiers to the extreme. He also repeatedly questioned the motivation of some go-betweens in the mediation process and argued for a broader negotiation framework which would include, for example, MDM and Civil Society Organizations (CSO). In his 2016 New Year Address, he stressed his continued readiness to meet Dhlakama and declared that bringing about peace and national unity were the main objectives of his government.

But there were, at the time, few prospects and indications for a breakthrough in settling the conflict with Renamo. Diplomats and Mozambican analysts alike question the capacity of President Nyusi to effectively broker a peace process between his party and his government, given that he is seen to be 'straightjacketed within his party'.¹²⁹ This leads us to the issue of political settlement within the Frelimo party and between this and the Renamo opposition. Before addressing this issue in Section 2.5, we discuss potential causes for the relapse of the armed conflict.

2.2 Failing Peace Agreements

By the end of 2016, i.e. in Mozambique's 41 years of independence, the country had experienced 19 years of political strife and armed contestations of power. The Rome GPA represented a breakthrough by ending a 16-year civil war, initially with external interference. The causes of the failing internally negotiated peace process described in the section above can be analysed from two interrelated, complementary perspectives. The first is that of the failed attempt by Renamo to militarily and politically bring about changes to the LAO, which Frelimo had managed to establish and defend. As discussed earlier, the LAO and its opposite, the OAO, are used to analyse the way a given society and state structures its economy and power relations in order to adequately deal, or not, with problems of underdevelopment, violence and disorder (North et al., 2010).¹³⁰ The

¹²⁹ Personal communication, 04/12/2015.

¹³⁰ For the cases of Mozambique and Zambia, see Levy (2010).

underlying assumption is that the more limiting the LAO is to other political and social groups, the more the excluded elites in a society have an inclination to violently contest the established order. The historical and structural features of an LAO in the case of Mozambique were analysed in depth in Part II, Section A.

From a historical perspective, through its 16-year war (1977–1992) ending in the Rome GPA, Renamo succeeded in bringing about substantial changes towards a more open, or less limited, order of access to political and economic power and resources. One tangible outcome was the establishment of a multiparty democracy and regular elections in the aftermath of the 1990 constitutional reform and the GPA. Renamo, short of sufficient strategic, political (electoral) and military means to take over power from Frelimo, now seeks some form of power sharing, particularly at national level. It employs peaceful means such as participation in elections, parliamentary debate and legislative initiatives, but also military action since successful parliamentary initiatives mostly fail due to the Frelimo majority in the AR. The Renamo leader's contradictory discourse, sometimes militant, violent and threatening and on other occasions reconciliatory and amenable, reflects this dichotomy of means. According to one of the mediators, a number of Dhlakama and his party's demands reflected in the four-point negotiation agenda are legitimate, notably the demand to make a clear distinction and separation between state/public administration and the Frelimo party, non-discrimination against soldiers and officers of Renamo origin in the army and a review of the electoral legislation.¹³¹ The use of military force, however, is what is not acceptable to government and the national mediators,¹³² since it negates the key assumption of modern statehood that the privilege of having the monopoly of coercive power can only be in the hands of the state. The same position is held by one of the then GPA facilitators in the Rome negotiations at Sant' Egidio.¹³³

The military element used by Renamo to achieve its objectives emulates the double strategy of negotiations and military action, grounded in Nyerere's teachings and the Lusaka Manifesto of the liberation struggle in southern Africa, and successfully applied by Frelimo and other liberation movements (Ishemo, 2000). It gained importance in the aftermath of the Rome Agreement, particularly after Guebuza came to power. With Igreja (2015), we may assume that under the two Guebuza mandates, a roll-back strategy concerning key elements of the Rome GPA to which Renamo is party was put to work, especially those associated with a joint police and military force. As Igreja has convincingly shown, some elements of the GPA were not to the liking of some Frelimo hardliners, particularly among the war veterans. Their concerns focused on provisions which the GPA held on military, police and security matters, seen to be at the core of Frelimo's interests and identity as a movement which successfully fought

131 Do Rosário, interview in *Savana*, 2 October 2015, cited in *saponoticias*, 25/10/15, <http://noticias.sapo.mz/lusa/artigo/15199043.html>.

132 Interview with one of the national mediators, Maputo, 23/09/2015.

133 Conversation with Dom Matteo Zuppi, Rome, 09/09/2015.

a liberation war to achieve independence. From that angle, Chissano, accredited as Frelimo's chief peacemaker who brought the GPA negotiated in Rome back home, was not fully successful in safeguarding that wing's core interests in Rome: the monopoly on the military and security apparatus. Chissano's nickname 'Maria' (synonym for 'accommodating' and 'ineffectual'), whose use has been attributed to hardliners in his party¹³⁴ reflects an attitude in Frelimo quarters of criticising Chissano for having accepted too many concessions at the Rome peace negotiations. The same touch is contained in Guebuza's use of the term '*deixar andar*' (implying laxity, sloppiness) to characterise Chissano's government. The resistance against those parts of the Rome GPA considered sensitive from a military and security perspective would also explain that the commissions foreseen by the agreement for the integration of Renamo members into the police and state security were underperforming in the GPA implementation. It left 'unfinished business', notably the integration of Renamo's residual forces and Dhlakama's armed security guards into the police.¹³⁵

As Igreja (2015) shows, the integration of Renamo members into the army, promoted by the Chissano government coming to power in the 1994 elections,¹³⁶ was reversed during the two Guebuza mandates and the anti-Renamo rhetoric sharpened. Instead of 'reconciliation', the discourse, with few exceptions, even in Parliament, stressed the notion of 'political enemy', revealing what Igreja referred to as 'Frelimo's socialist revolution mentality' (Igreja, 2015, p. 47) with its exclusive claim to power. Even Renamo members without any military background and good reputations as public managers were discriminated against.¹³⁷

The conflict thus also revealed internal divisions within Frelimo, including competitive clientelism (see Part II, Section A, 4). There was a dividing line within Frelimo, with one part advocating hardline military action against, and the other promoting a political settlement with, Renamo. In a speech on 2 October 2015, the national mediator do Rosário suggested that it was 'conflicts between the political and military within both Renamo and Frelimo that killed the talks at the Chissano Conference Centre'.¹³⁸ He also stressed, in an interview with *Savana* newspaper (02/10/15), that Renamo was divided into 'doves' and 'hawks', i.e. Renamo generals, with the latter also seeking a military confrontation with the political opponent instead of a political settlement.

134 Interview with retired senior government official, Maputo, 07/12/15

135 An international conference on the Mozambican peace process and the role of the UN organised by the Friedrich Ebert Foundation and the Stiftung Wissenschaft und Politik, with the participation of senior UN staff, including Aldo Ajello (the then Special Representative of the UN Secretary General for Mozambique), the mediator Dom Matteo Zuppi from Sant' Egidio, Rome, and members of the Mozambican government, Renamo and the CNE, arrived at the same conclusions. See Kuehne et al. (1996).

136 The minister of defence of that government, Aguiar Mazula, in his prior role as minister of state administration, had been part of the Frelimo delegation to Rome and was thus intrinsically familiar with the details of the GPA and the challenges of its implementation.

137 An example thereof is Benjamin Pequenino, the former CEO of the national postal services, who was relieved from his functions in 2006.

138 Cited in *O País*, 06/10/15.

The cleavages within the Frelimo party became apparent during the transition phase from the Guebuza to the Nyusi mandate, particularly at the beginning of 2015. Not only did Guebuza attempt to subordinate the newly elected president with a direct mandate to the prerogatives of the Frelimo Political Commission, chaired by Guebuza as president of the Frelimo party. In this ‘bicephalic’ arrangement the head of state and government would, according to the statutes of the party, be an *ex officio* member only in the Political Commission, without a right to vote – a highly questionable assumption from a constitutional point of view.¹³⁹ Guebuza was also seen to be adamantly refusing to relinquish his power as president of the party, which would have enabled him to control the Nyusi government under the premise that the party is above the government. Guebuza only ‘voluntarily’ stepped down from his position on 29 March 2015, after having been pressured by senior party members to do so. Nyusi was elected as his successor, but to a considerable extent remained a ‘hostage’ to the Political Commission, given that this is dominated by members loyal to Guebuza. This limited his space to manoeuvre regarding dealing with Renamo. Purportedly, the military action against the Dhlakama motorcade in September 2015 and the assault on his residence in October 2015 were taken at the margins of Nyusi’s awareness and consent. Another example is the result of the meeting between Nyusi and Dhlakama on 9 February 2015, in which the latter agreed to Nyusi’s proposal to submit the Renamo project of autonomous provinces to Parliament for debate. Once public, the Political Commission under Guebuza immediately sent senior Frelimo members to the provinces to mobilise public opinion against the project.

Both parties thus suffered from lack of political settlement within their organisations. On the one hand, their internal *modus operandi* or rules of the game concerning decision-making processes and the distribution of power, rents, leadership functions and publicity were not adjusted to the post-GPA reality and the new, more democratic rules of the game. This was exacerbated by the fact that both parties, throughout their trajectory as military movements and following a top-down command structure in line with their military traditions, have had little chance to develop a human rights-based, democratic, republican vision of economy and society. In this, the question of who is the (internal and external) enemy and how to deal with it was paramount for the ideology and construction of a nation based on the principles and objectives of Frelimo as a dominant movement. Frelimo increasingly defined the enemy as ‘those who are against us’, i.e. the movement, its leadership and the project of construction of a nation state (Menezes, 2015, p. 10). This struggle against the internal, national enemy, visually epitomised by the comic figure *Xicanhoca* in the review *Tempo*, justified not only the relentless fight against ‘armed bandits’ (Renamo), ‘saboteurs’ and ‘traitors’, but

139 See Teodato Hunguana, constitutional lawyer, former minister of justice and MP, in <http://www.debate.co.mz/mais/politica/politica-nacional/696-nyusi-so-se-subordinara-a-frelimo-se-ele-quiser>.

also the purification of ranks within Frelimo, and the restructuring of government and public administration (Menezes, 2015). Menezes concludes the in-depth analysis of the Frelimo discourse of the enemy and its consequences:

the impossibility of co-existence and political power sharing between movements transformed into political parties explains, in the Mozambican context, the perpetuation and the proliferation of discourses of hate against sections of the national community. These discourses, and the resulting practices continue to threaten whatever policy of reconciliation and the attempts to construct a multi-cultural national project (Menezes, 2015, p. 86).¹⁴⁰

2.3 Proposal for Autonomous Provinces

The inability to reach an agreement in Parliament on the discussion of a subject considered relevant by a cross-section of interviewees is a good example of another failed attempt to seek solutions to a problem across party boundaries, in the spirit of reconciliation and peacebuilding. The Renamo proposal of more provincial autonomy, which received some sympathy even within Frelimo, the public administration and businesses,¹⁴¹ appears to not have merited a broad parliamentary discussion forum, not because the subject is not relevant, but because it came from Renamo, politically driven by the party's motivation to 'rectify' what it claimed to have been electoral fraud in the October 2014 elections. Thus, the bill was dismissed in its first reading. The legal initiative had resulted from an understanding between President Nyusi and opposition leader Dhlakama to find a way out of the political–military crisis.

It is true that the bill itself had various technical shortcomings and legal caveats, and the discussion was rejected on both constitutional grounds and for technical reasons. The first parliamentary Commission on Constitutional and Legal Affairs and Human Rights¹⁴² argued that autonomous provinces were neither foreseen in the constitutional concept of a unitary state, nor could they be considered part of *poder local*, i.e. devolved local governments, as they lacked some of the legally defined characteristics. The commission also observed that the bill violated the constitutional principle of equality, since it only sought to establish 'autonomous provinces' in six out of 10 provinces. Finally, the bill also failed to present the budget implications of the proposed changes, a crucial point since the bill proposed fundamental changes to the revenue system. In addition, the proposed amendment

¹⁴⁰ Original in Portuguese; translation by authors.

¹⁴¹ A considerable number of interviewees, including parliamentarians, expressed sympathy for the idea of more autonomous provinces.

¹⁴² AR Comissão dos Assuntos Constitucionais, Direitos Humanos e de Legalidade (1ª Comissão), Parecer 5/2015.

to the constitution submitted by Renamo to Parliament was rejected by the Frelimo majority, since, in its opinion, it served only as an attempt 'to accommodate the interests of a group of individuals assaulting established power'.¹⁴³ However, Frelimo equally signalled that it would be open to a profound constitutional revision, including on the topic of more autonomy for provinces, and suggested an *ad hoc* commission for this purpose.

Despite its political intentions and technical shortcomings, the Renamo proposal raises a valid set of questions and seeks to provide answers: What is the role of the province as intermediate 'entity' between central and local governments, municipalities and districts in the present political administrative system? What is its endowment with fiscal resources and its revenue base? What autonomy does the province have in relation to allocating resources and drawing up and executing specific plans? What are the relationships and the division of power and functions between the provincial government and the elected provincial assembly? And finally, can the stark differences in natural resource wealth and per capita fiscal resource allocations between provinces be addressed?

Some of these questions and relevant data are discussed more fully in Part II, Section B, 5.4. Suffice to say here that some of the issues related to the configuration of decentralisation in Mozambique were already posed in other less conflictual contexts, for example, in the context of the public-sector reform (Monteiro et al., 2004). Even in the early days of the decentralisation debate promoted by Frelimo, the idea of *autarquias* was not restricted to local governments only. These were, in the opinion of the then minister of state administration, Mazula, a way to start a decentralisation process which might even eventually include aspects of autonomous, i.e. federal provincial, governments in a system of subsidiarity (see Weimer, 2012: 84f). Thus, the idea of more autonomous provinces is neither new nor restricted to Renamo.

As suggested above, the issue was not driven by a politically motivated post-2014 election agenda linked to conflict resolution, but to Renamo claiming to partake in power arrangements outside electoral competition. Decree 21/2015 on the Organisation of Provincial Governments may be a legislative reaction by government to the Renamo initiative. It reaffirms not only the key function of provincial governments, that of guaranteeing the execution, at provincial level, of government policies and programmes defined by central government (Article 2), but also strengthens the provincial governments' supervisory and control functions in relation to subprovincial units, i.e. municipalities and district governments and their populations, in terms of planning, organisation, and administration (Article 10).

143 Chief Whip of Frelimo party, cited in saponoticias, http://www.sapo.pt/noticias/frelimo-diz-que-revisao-da-constituicao_5672bcf90940be0d51325bd1 (translation by author).

2.4 2016 and 2017: Renewed Peace Negotiations

The failing domestically brokered peace talks led to the resuscitation and escalation of military activity in central Mozambique. Due to guerrilla attacks in the central regions of the country, troops with armed vehicles were dispatched to escort the movement of vehicles on the north/south EN1, south of Sofala (between the Save River and the town of Muxungue), as well as on the EN1 leading from Inchope on the Beira Corridor to Caia on the Zambezi, and on the EN102 from Chimoio to Tete. The Gorongosa mountains to the east of Gorongosa municipality, hosting the headquarters of Renamo and its leader's home in Satunjira, were besieged and shelled. Nearby, on the border area between Manica and Sofala Province, 120 unidentified decomposing bodies were found, probably the result of acts of retaliation for Renamo attacks. An influx of up to 10 000 refugees from Mozambique into Malawi was reported by the UN High Commissioner for Refugees (UNHCR) by April 2016, with daily arrivals in Malawi peaking at 250 per day in that month.¹⁴⁴ The press reported numerous instances of Renamo raids on arms dumps, police stations and health posts in order to acquire weapons, ammunition and supplies, as well as attacks on trains on the stretches between Sena–Beira and Cuamba–Nacala, both important for coal export from the Tete and Moatize coalfields. Scattered armed activities were also reported by the media in other provinces (Zambezia, Nampula, Niassa and Inhambane), together with a series of what appeared to be targeted assassinations of Renamo members.¹⁴⁵

With the economic and fiscal consequences of the economic crises, the morale of the fighting units on both sides waning and an increase in desertions from the army, the moment arrived, in May 2016, for resuming peace talks, this time with the government's acceptance of Renamo's condition of international mediation.

The mediated peace talks in the Joint Commission (JC) set up for that purpose – composed of an equal number of Frelimo and Renamo members¹⁴⁶ – started on 20 July 2016. Its objective was to elaborate a peace agenda to be submitted and approved by a high-level meeting between the president, Filipe Jacinto Nyusi, and the Renamo chairman, Afonso Mareceta Dhlakama. Three of the six mediators were

144 See <http://www.unhcr.org/cgi-bin/texis/vtx/search?page=search&docid=56e91b486&query=unhcr%20mozambique>.

145 For more details, see Mozambique News reports and clippings, edited by Joseph Hanlon, <http://www.open.ac.uk/technology/mozambique/news-reports-2016-0>.

146 Frelimo members: Jacinto Veloso (ex-minister of security); Alfredo Gamito (ex-minister of state administration and ex-MP); Benvinda Levy (ex-minister of justice); Alves Muteque (Office of the President); António Boene (lawyer) and Eduardo Chiziane (professor of Law, UEM); Renamo: José Manteigas (MP); Jeremias Pondeca (former MP) André Magibire (MP); Eduardo Namburete (MP, Prof. for Communication Sciences, UEM); Maria Joaquina Inácio (senior party member); Leovilgildo Buanancasso (State Council). The government-nominated parties to the mediation were: Ketumile Masire, ex-president of Botswana, linked to the Global Leadership Foundation, together with Robin Christopher; Jakaya Kikwete (ex-president of Tanzania, represented by Ibrahim Msambaho) and the African Governance Initiative, linked to former British prime minister, Tony Blair, represented by Jonathan Powell of Inter Mediate (UK). Renamo indicated three mediators, namely the EU, which was represented by Mário Raffaelli (former mediator of the Rome GPA) and Monsignore Ângelo Romano (Comunidade de Sant' Egidio); the Vatican, represented by the Nuncio Apostólico in Maputo, Monsignore Edgar Pena and the secretary of the Episcopal Conference of Mozambique, Auxiliary Bishop of Maputo, Dom João Carlos Hatoa Nunes, and South African president, Jacob Zuma, represented by Messrs Mandlenkosi Memelo and George Johannes of the Ministry of Foreign Affairs.

proposed by each side, with the TOR for the mediation defined by government, which also financed the negotiation venue, Hotel Avenida in Maputo. The mediators were led by Sir Ketumile Quett Masire, the former head of state of Botswana, together with Mario Raffaelli, one of the mediators of the Rome GPA. Both also maintained feedback loops with the Mozambican president and the Renamo leader, via telephone in terms of the latter. The agenda included four points: decentralisation and provincial autonomy of six provinces and nomination of governors by Renamo; the end of military hostilities; disarmament of Renamo armed forces; and integration of disarmed Renamo soldiers into the army (*Forças Armadas da Defesa de Moçambique*), the police (*Polícia da República de Moçambique*) and state security apparatus (*Serviço de Informação e Segurança do Estado*).

The JC commission established two subcommissions, one on decentralisation and the other on military matters. Despite the complex negotiation set up, the JC's subcommission on decentralisation produced, by 17 August, a first consensual agreement, signed by the heads of the two delegations in the JC and the mediators. It was communicated to the public and foresaw an unrealistic agenda of reviewing relevant legislation, submission of the new legislative package to the high-level meeting of the president and the Renamo leader as well as approval by the AR until the end of 2016. The review of the legislative package set the following seven benchmarks:

1. Partial or substantive review of the constitution;
2. Review of LOLE (Law 8/2003) and its by-laws (Decree 11/2005);
3. Review of Law on Provincial Assemblies (Law 5/2007);
4. Approval of law on provincial governance institutions (to be elaborated);
5. Approval of Provincial Finance Law (to be elaborated);
6. Review of Basic Law on Organisation and Functioning of Public Administration (LEBOFA, Law 7/2012);
7. Re-examination of the devolution model for all districts in line with (revoked) Law 3/ 94.

The implementation of this overly ambitious agenda had several shortcomings, both in terms of procedure and content, as well as concertation within the parties in the JC. Renamo had submitted a reform package to the subcommission, but Frelimo, although prepared with a document in hand showing openness to the idea of reviewing the decentralisation framework and to the idea of the election of provincial governors, did not submit it to the JC. The reason was presumably a lack of internal party consensus.¹⁴⁷ Therefore, the above package of legal reviews was not met with enthusiasm within all

¹⁴⁷ This paper was produced by a group of senior Frelimo members, mostly former ministers of state administration, a task force set up by the chairman of the party (interview with member of this group. Maputo, 3/11/16).

Frelimo circles, and in fact the leader of the Frelimo delegation, Jacinto Veloso, had to ‘back paddle’ on this matter, already disseminated. Another challenge was the lack of linkage concerning procedures, content and time tables between the two subcommissions on decentralisation and military matters. A third caveat was the heavy presence of mediators, many of them non-Portuguese speakers, which implied slow progress in the negotiations. In addition, CSOs, as well as the opposition party MDM, unable to either conquer or be invited to the space of power, were excluded from the negotiation table. While the MDM got the chance to present its project of constitutional reform to the JC, the CSOs published various decentralisation reform proposals to contribute to and ‘inspire’ the JC’s work (CIP, IESE, MASC & ORM, 2016, 2016b), or to suggest an alternative, more open format of constitutional reform negotiations, e.g. via a nationwide constituent assembly (CIP, IESE, MASC & ORM, 2016a).

By the end of October 2016, not much progress had been made, prompting the chief negotiator, Mario Raffaelli, to change the working method. Instead of negotiating and producing legislative bills, the innovative approach sought to seek a negotiated agreement on the principles of decentralisation reform, and leave their transformation into legislation to the AR, specifically their legal draftsmen.¹⁴⁸ This change of method did not go down well with the Frelimo leadership, which felt that the ultimate powers for the negotiations (the head of state and the Renamo leader) were bypassed in the process, leaving too much decision-making power in the hands of the mediation. In fact, it had never really had much sympathy with the idea of a foreign-mediated negotiation process. Using the interruption of the JC process due to the end-of-year holiday period and a declaration by the Renamo leader of a temporary truce during that period as an opportunity, the mediated negotiation process through the JC was quietly discontinued. Its suspension was formally announced in early February 2017.

Instead, after consultations with the Renamo leader, President Nyusi announced on 3 February 2017 (National Heroes Day) the redefined architecture and procedures for the negotiations. The key elements are:

- a) Regular contact and concertation of procedures, monitoring of progress between the head of state and the Renamo leader, leading to a much higher degree of confidence in both parties and between them;
- b) The establishment of two technical committees or working groups (on decentralisation, military matters) composed of two members each of Renamo and Frelimo;¹⁴⁹

¹⁴⁸ For a critical discussion of the agreed principles, leaked to the media, see CIP, IESE, MASC and ORM (2016b).

¹⁴⁹ Decentralisation Working Group: Eduardo Chiziane and Albano Macié, Frelimo; Maria Joaquina Inácio and Saimone Macuiana, Renamo. Military Working Group: Armando Alexandre Panguene and Ismael Mussa Mangureira, Frelimo; André Magibire and Leovilgildo Buanancasso, Renamo.

- c) Recruitment of two international technical advisors for each of two committees;¹⁵⁰
- d) TOR for the groups and the international advisors and a time line which foresees the production of a proposal to the political leaders by September 2017;
- e) Establishment of an international contact group to oversee the process, and eventually monitor and finance outcomes. The contact group's members are Switzerland (chair), Botswana, China, the European Union, Norway, the UK and the USA;
- f) Periodic briefings by the political leaders of other political parties and the public are foreseen.

The innovative approach gives much more ownership to Mozambique's key actors and to the political leaders, is much leaner and more technically focused and works under more favourable institutional and physical conditions compared to the JC. To the delight of Mozambicans and international observers, the first tangible results were produced by the time of the final review of the manuscript for this book: an indefinite prolonging of the truce, previously already extended twice; the withdrawal of government security forces from the Gorongosa area;¹⁵¹ and the announcement by Dhlakama that he might substitute his demand for nominating provincial governors with a solution in which governors will be elected in the next round of general/provincial elections in the last quarter of 2019.¹⁵²

These are not only good indicators of a breakthrough in the negotiation process, but also of the affirmation of Nyusi's leadership within Frelimo, highly contested in the years since his election in 2014. It is, however, not yet clear what the outcome on the decentralisation issue will be, a topic considered more complex than solving the outstanding military issues, since it involves a redefinition of the sociology, geography, levels, spaces and forms of power.

According to insiders,¹⁵³ the breakthrough in the negotiations is at least partially attributable to Nyusi's confidence-building efforts. The president is said to be keenly aware of the long-standing, historical enmity between Shangaan and Ndau ethnicities, dating back to the times of Ngungunhane, the ruler of the Gaza Empire (1884–1895), and even before. This enmity partially explains Renamo's fierce opposition to Frelimo, seen as a party dominated by Shangaan, and vice versa (Lubkemann, 2008). Therefore, the president, like Dhlakama, a non-Shangaan, tried

150 Two Zambian-born law professors, one of each indicated by the Frelimo and Renamo leader, respectively, were contracted to support the decentralisation committee and two specialists support the committee's work on military affairs, one from Switzerland and one from the Philippines.

151 Mozambique: Government Forces Pulling out from Rural Gorongosa, All Africa, 28/04/2017, <http://allafrica.com/stories/201704281077.html>.

152 Mozambique 371. News Reports & Clippings, 04/05/2017 (Editor: Joseph Hanlon).

153 Personal communication with retired senior government official, Maputo, 11/05/17..

to establish direct contact, thus avoiding potentially ethnic-related mindreadings and the involvement of prominent 'southerners' or Ndaou speakers, seen to have been co-opted into higher Frelimo positions in the negotiations with the Renamo leader and his close advisors. The other confidence-building factor appears to have been the choice of Gen. Lagos Lidimo as director general of *Serviço de Informação e Segurança do Estado* (Information and State Security Service). Lidimo is credited, including by Renamo, with having proactively and systematically addressed the challenge of forging a national army composed of members from both sides in the wake of the Rome peace agreement.

According to this logic, the president's cryptic messages in public appearances against 'informal intermediaries' interfering in the peace process¹⁵⁴ may thus appear to be directed against the group of southerners to which his predecessor is also said to belong. This group, once the centre of gravity in Frelimo politics and economic interests, appears to be losing influence and leverage due to the shift in the centre of political and economic gravity to Cabo Delgado.

If this analysis is correct, it would confirm the validity of Ekeh's (1975) thesis of the 'primordial public' which implies that ethnicity plays a role in shaping public affairs and political settlements, etc. in coexistence with the 'civic public' of state institutions and legislation (see Part I, Section 2.3). Thus, the peace process must also be a reshaping of ethnic alliances, etc. and the redefinition of national unity. From that perspective, more autonomy for subnational units such as provinces could make sense, also for the southerners, who at present seem to lose ground politically and economically, with the risk of not fully supporting the ongoing negotiations with the representative of the historical 'arch enemy'.

2.5 Conclusions

The discussions in the sections above lead us to conclude that Mozambique presently finds itself in what Antonio Gramsci would label an 'organic crisis', in which structural economic and political issues are intrinsically interrelated and a political and cultural transformation of an established hegemonic system seems impossible, due to the lack of a vibrant and engaged civil society, a point taken up again in Part IV. The main elements of the crises are presented and causes analysed, some in more detail in the following sections on the foundational factors and the rules of the game.

We conclude that the country is in need not only of an urgent political solution to the fiscal, economic and political crises, and of confidence-building measures between the main political actors. The progress in military issues, the truce, is certainly a strategic means to regain the confidence of Mozambican citizens, foreign donors and investors in the Mozambican political headship. But will it resolve the political issue

¹⁵⁴ <http://clubofmozambique.com/news/the-president-of-renamo-and-i-do-not-want-informal-intermediaries-nyusi/>

of decentralising power with substantial concessions to Renamo, which, we have seen, has had a persistent claim that it wants some form of power sharing in its strongholds?

Further, what are Renamo's real intentions and motivations regarding decentralisation reform? Is there a genuine will to see the structure of the state reformed, with clear ideas on how to go about this challenge? Or is there only a short-term objective to wrestle some degree of influence, possibilities for co-optation or gaining access to rents and other financial resources? Would it have made sense, under the latter assumption, to 'invest' substantial amounts of money into various forms of negotiations, mediation, demilitarisation operations, etc. if, at the end of the day, the proverbial mountain gave birth to a mouse, and no true reform, including decentralisation, was produced? Would the Renamo party rank and file embrace decentralisation reform in their political programme after the retirement of their leader?

If the main purpose of decentralisation is, according to theory, the improved delivery of public services for poverty reduction, democratisation and peacebuilding at the level of local governments, and the structural strengthening of a fragile state towards state consolidation and an OAO, the underlying policies and strategies of more than 15 years of donor-supported decentralisation practice need to be reappraised. In our view, there is a need for profound reform or restructuring of the public administration system, in a negotiated way, including public finances and the role of provinces. Is revisiting the original decentralisation law (Law 3/1994) on municipal and district autonomy enacted by the then Frelimo-only Parliament, surpassed by Law 2/1997, a way forward to help make their positions converge? Or would a more radical decentralisation/devolution programme which includes decentralised management of land use and benefits, and the review of allocation criteria for capital expenditure in favour of more autonomous local and/or provincial governments, be a *conditio sine qua non* for a more productive and dynamic rural economy?

All these potential points of a comprehensive and encompassing reform programme would require rethinking Mozambique in its present form – economically, politically and socially. This would radically alter the sociology and geography of the established power. Therefore, such reform(s) and its drivers would need not only a clear, detached mind, political courage, consistent strategic planning and a reform programme, but also a widespread, encompassing strategic alliance among all societal forces, farmers, SMEs, political parties, religious institutions and CSOs.

President Nyusi, in a speech on 29 October 2015,¹⁵⁵ candidly recognised the adverse economic and budgetary situation the country finds itself in by stressing the need 'to wake up out of the infinite dream of simple wishes and start producing in a competitive and multi-sectoral manner, which will require a new attitude of state

155 Delivered in Maputo on the 20th anniversary gala of the Millennium BIM bank.

agents, the private sector, the financial system, and society in general'.¹⁵⁶ Some months earlier, on Mozambique's celebration of the 40th anniversary of independence, the president stressed that a profound reflection is needed regarding the long-term vision for a prosperous country which adequately serves its citizens.¹⁵⁷

But will Mozambique's structural features and the established rules of the game allow such waking up and reflection for re-envisioning and redressing the country in the perspective of a presidential five-year mandate, especially about decentralisation? What would the transition from an LAO to an OAO look like under the regime of a hegemonic party with its historical background as a military movement? What would be the implications for the intra-party-political settlement in Frelimo (and in Renamo), for the political settlement between those parties and regarding the vertical dimension, i.e. the integration of local political elites into a political settlement? Before we attempt to sketch some answers to these questions in Part IV, we focus our attention of the main stakeholders in Mozambique's decentralisation process.

¹⁵⁶ Cited from Lusa news agency, 30/10/2015.

¹⁵⁷ Mozambique: Mozambican President Wants Reflection on Next 50 Years, AllAfrica.com, 26/06/2015, <http://allafrica.com/stories/201506290315.html>.