Summary

- For the period of 16 to 31 January 2017, there were 35 critical incidents in Mozambique, resulting in 50 deaths and 11 arrests. The spike in casualties is attributed to the severe weather that has affected large areas of the country over the past two weeks.

- The share of Human & Social Crisis reached 31.43% of the total incident pool, followed by Criminality with 25.71% and the Economy category with 22.86%.

- The general state of security across the country has improved drastically, owing to the actors in the Mozambican conflict respecting the terms of the truce agreed in late December 2016. Despite a substantial reduction in violent incidents, however, sources within RENAMO have reported breaches affecting the safety of its members in a number of provinces, including the unconfirmed arrest of 12 RENAMO members in Mocuba, Zambezia.

- As tension between RENAMO and the government eases, the third largest party, the Mozambican Democratic Movement (MDM), reported a spike of abuses against its members. The most severe case was the disappearance on 15 January of Mateus Chiranga, the Tambara district delegate for MDM, who was later found murdered.

- The easing of tension across Mozambique may also be linked to the severe weather that affected many key regions, and caused the death of at least 44 people. The severity of the impact of heavy rain and strong winds was further magnified by a spike in temperatures and a heat wave. This severe weather may have helped disrupt military and insurgent activity that could have otherwise taken place in normal circumstances.

- On the economic front, Mozambique defaulted on its January 2017 provision of US$59.7 million for sovereign debt maturing in 2023. Payment was due on 18 January, but as the year 2016 came to an end, the Mozambican authorities sent signals of the upcoming default, citing a lack of liquidity.

- The arrest of a group of municipal workers, health workers, and policemen and the sentencing of a former airline executive on corruption charges has contributed to Mozambique’s deteriorating Transparency International ranking. Data shows that Mozambique moved down 30 positions in the Index, highlighting the challenges it is facing to bring about the rule of law in economic management.

- Authorities revealed breaches in its northern border with illegal migrants allowed to enter the country unchecked.

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Significant Events: 16 - 31 January 2017
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RENAMO officials claim arrest of 12 members by government.

An explosion at a military warehouse causes panic in Nacala-Porto. No casualties were reported.

District delegate of opposition party MDM found dead in Matsinho, Manica.

President dismisses the head of Mozambique Intelligence and Security Service.

Five children die in a land slide in Nacala-Porto.

Nine people die in mine collapse in Zambezia.
Truce appears holding but RENAMO alleges provocations

Monitoring of armed activity nationwide over the past two weeks has indicated that the RENAMO-government truce appears to be holding at present. Despite RENAMO accusing the security services of provocative actions in violation of the 60-day truce declared in January, there have been no reports of major breaches, with police officials confirming that the situation remains “normal” in the country’s major cities and the historically unstable central provinces. Alleged provocations included homicides, abductions, robberies, intimidation and extortion. The latest denounced case concerned 12 RENAMO party members who were allegedly arrested and tied up at a military unit in Mocuba, Zambezia province. RENAMO’s leader, Afonso Dhlakama said there had been no record of violations in the form of military clashes, but cited cases of abduction and murder of members of his party which had compromised the process.

President dismisses head of Mozambique Intelligence and Security Service

In another sign of the government looking to maintain the truce with RENAMO, President Nyusi dismissed Gregorio Leao Jose as the Head of the State Information and Security Service (SISE). Mozambique’s Intelligence and Security Service. Leao Jose was replaced by Lagos Lidimo. The presidency did not provide the reason for the dismissal, but it is likely tied to the need to insure continuity in the process of reconciliation.

MDM party feels targeted by attacks

While a general sense of peace appears to be holding thanks to a RENAMO-government ceasefire, the second largest opposition party, the Mozambican Democratic Movement (MDM), still reports attacks against its members, blaming FRELIMO and government forces to be behind such attacks. MDM reported six alleged political killings with the apparent goal, of weakening the party. As an example, Mateus Chiranga, MDM delegate for the Tambarra district of Manica province, who had been missing since 15 January, was found dead on 23 January. He was shot dead at his residence, but his body was found more than 400 kilometers away. Police in central Manica have declined to issue a statement about the crime but said they will investigate the case.

According to MDM’s president, both FRELIMO and RENAMO, seek to weaken the MDM, by creating conditions in which members of the MDM will scale back in their political ambitions. MDM’s president has also denounced that his party has been side-lined from the negotiating table.

RENA MO already preparing the 2018 local elections

RENA MO announced it is already on “pre-campaign” mode to
prepare for the 2018 municipal elections. In a party conference held in Maputo recently, party officials said Maputo remains their most important campaign target. The move is in sharp departure from RENAMO’s position in the 2013 municipal elections, when it boycotted the process, demanding the revision of the electoral law.

**Human & Social Crisis**

**Mozambique confronted with intense weather**

As forecasted, a severe weather pattern has affected Mozambique in the second half of January 2017, resulting in at least 44 people killed and more than 80,000 people affected, forced to evacuate their homes and villages. The rainy season, which stretches to March, began with strong rains and winds that have caused the destruction of thousands of houses. Nearly 9,000 were completely destroyed, while over 21,000 were partially damaged. A cabinet spokesman said that the authorities have triggered all mechanisms for the assistance of the population and that to date, there has been no record of problems with accommodation and food assistance. A cabinet meeting was held last week to address the crisis, with the presence of President Filipe Nyusi, who urged the immediate removal of people from places considered at risk.

Last week, the Mozambican authorities issued an orange alert following the rain and strong winds in the provinces of Maputo, Gaza, Inhambane and Nampula. The orange alert occurs in parallel with the red alert, which remains in force for the more than 1.5 million people affected by drought and food insecurity over the past year. Additionally, an intense heatwave followed in the provinces of Maputo and Gaza, with temperatures reaching 39 degrees Celsius. Up to 30 millimeters of rain fell in 24 hours, starting on 25 January, accompanied by thunderstorms and winds gusting up to 60 kilometers per hour. The most affected districts are those of Matutuíne, Boane, Namaacha, Manhiça, Marracuene, Moamba, Magude and the cities of Maputo and Matola in Maputo province, and the districts of Bilene, Guijã, Mabalane, Massingir, Massagena, Chibuto, Chicualacuala, Chigubo and Chókwê and Xai-xai cities in Gaza.

**Aquaculture destroyed by bad weather in Inhambane**

At least 37 fish tanks operating the aquaculture business were destroyed by the floods in seven districts of Inhambane province, resulting in the destruction of 14 tons of fish. In the Massinga district, economic activity directorate has called on fish farmers to improve the protection of their tanks against flooding. In this district alone, 19 tanks have been flooded out by excessive rainfall in recent days.

**Maputo looking for alternative sources of water**

Struggling with a shortage of water, Maputo is looking for alternative sources such as tapping into the Incomati basin. The government is also looking to extract ground water from aquifers in Marracuene and Manhiça districts, near Maputo. Bringing water from these alternative
sources will be a major challenge considering there is no infrastructure currently in place to pump and move the water.

**Power generation from Tete’s Cahora Bassa to fall by 20% this year, as water supplies erode**

The head of the Cahora-Bassa hydroelectric plant (HCB) said electricity production from the plant will drop by 20% this year, settling at just over 12,000 gigawatts. HCB attributes the decision to the constraints coming from the reduced rainfall. The dam currently uses only 45% of its water retention capacity, which could force HCB to continue to cut power consumption if a major lift does not take place.

The negative forecast of power generation is tied to the broad reduction in water supply affecting many Mozambican regions. Despite the recent heavy rainfalls, Mozambique’s water supply problem is not likely to be fixed in the short to mid-terms. Longer-term horizons will be required if Mozambique manages to get out of the current drought cycle and receives adequate rainfalls on a sustained basis.

The southern part of the country is the most affected by the drought. Heavy rains fell across virtually all of Mozambique over the past ten days, the south continues to struggle with limited rains. Over the past ten days, most of the country received between 300 and 600 millimeters of rain. There were torrential downpours in Maputo and the neighboring city of Matola, yet this did very little to improve the water supply crisis for the Greater Maputo Metropolitan Area. Maputo and Matola are dependent for drinking water on the reservoir at the Pequenos Libomos dam on the Umbeluzi river, and the recent downpours have scarcely touched the upper Umbeluzi valley in Namaacha district, and in neighboring Swaziland.

**Military storage explodes in Nacala-Porto**

An explosion last week destroyed a military storage facility in Matalane, a suburb of the city of Nacala-Porto. The incident has caused panic among residents, who feared a resumption of the conflict between RENAMO and government forces. Authorities said the explosion was caused by the intense heat wave of previous days.

**Weak infrastructure causes accidental deaths in Mozambique**

In Muiane, in the central Mozambican province of Zambezia, at least nine people died and four others were injured when a tantalite mine collapsed. Authorities attributed the accident to the unsafe practices of illegal mining.

Over the past decade attempts have been made to resume production at Muiane, but have run into resistance from illegal miners who vandalized equipment and occupied the mine. In August 2014, about 800 people claiming to be former workers of the long defunct state company Minas Gerais de Mocambique (MAGMA), occupied the mine, which had been leased to Canadian Pacific Wildcat Resources. Further disaster struck in November 2015, when illegal miners rioted at the mine, destroying equipment and setting fire to the site. Since then, the area has essentially been in the hands of the illegal miners.

Elsewhere, five children were killed when a crater collapsed in the city of Nacala-Porto, Nampula. Two other children were injured. The accident took place in the so-called Triangul neighborhood, known for its severe soil erosion problems, which local authorities have failed to address.

**SECURITY**

**Gaza: Police arrest three kidnappers**

The police in Xai-Xai, Gaza, arrested three men on suspicion of kidnapping a 14-year-old teenager in Zavala district, Inhambane province. The kidnapping took place last December in the village of Quissico, when the boy returned from school. The alleged kidnappers took the teenager to Xai-Xai, and demanded 10,000 meticais’ ransom from the victim’s family.
**Interior Minister accuses immigration services of facilitating illegal entry of migrants through northern Mozambique border**

The Mozambican Interior Minister, Jaime Monteiro, accused employees of the immigration services in the northern province of Cabo Delgado of facilitating the entry of illegal immigrants. Monteiro said the information came from citizens’ tipoffs, alerting the ministry of the involvement of immigration officials in illegal schemes. Monteiro cited the recent involvement of an immigration official and a member of the Frontier Guard in allowing 19 immigrants to illegally enter the country in exchange for money. Cabo Delgado has recently seen an increase in illegal immigration, particularly of Ethiopian citizens.

The provincial director of immigration, Alfredo Cardoso, said he believed this inflow of migrants was related to the recent closure of refugee camps in neighbouring Tanzania.

**Inhambane: Ten inmates escape Inhambane prison**

Ten inmates escaped from the Honoine district jail in Inhambane province, in the early hours on 15 January, and are still on the run. Authorities believe the escape may have been orchestrated by one or more of the prison guards and was therefore establishing a commission of inquiry to investigate the breach.

**Maputo court sentences former airline executive to suspended jail term**

The Maputo City Court sentenced the former financial director of Mozambique Airlines (LAM), Jeremias Tchamo, to a suspended jail term of two years, which was converted into a fine, for the crime of abusing his position.

The Central Office for the Fight against Corruption (GCCC) charged Tchamo, after discovering that he had awarded no less than 25 LAM contracts to a building company owned by his brother. The work was to repair and rehabilitate various LAM buildings and facilities. During the period in which Tchamo was financial director (2008-2014), LAM paid over 5.3 million meticais (about 177,000 US dollars, at the exchange rate of the time) to his brother’s company. The court found that Tchamo’s behavior constituted an abuse of his position, and a conflict of interest, and gave him a two-year suspended sentence. The case had come to the attention of the GCCC after it was denounced in the Mozambican media in 2014.

This case is indirectly connected to a second, much larger LAM scandal, involving the payment of an $800,000 bribe in 2009 by the Brazilian aircraft manufacturer Embraer, to ensure that LAM purchased two Embraer aircraft. Involved in the bribe were the then chairperson of LAM, Jose Viegas, and Mateus Zimba, the then local director of the South African petrochemical company Sasol, who acted as a middleman.

**Nampula: Seven Nampula municipal staff arrested for corruption, four others wanted**

The Mozambican anti-corruption agency, GCCC, arrested seven employees of the municipality of Nampula, in the northern Mozambican province of Nampula on charges of falsifying documents and corruption. Their arrest came after a full year of investigation. Four others have escaped police arrest and are wanted. The 11 suspects are accused of involvement in a scheme to forge invoices, receipts and other documents, and pocketing the money paid by users of the city’s business licensing unit. Authorities accuse the City Councilor for Finance to be the mastermind of the scheme. Relatives of the detainees protested later outside the Nampula Provincial Prison, where the seven are being held. They protested that they are innocent and demanded their
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immediate release.

**Nampula: Seven arrested for corruption in the healthcare sector**

Seven officials at the Marrere General Hospital in Nampula province have been arrested since December on charges of misappropriation.

Since then, five new cases of corruption in the health sector have surfaced. In Nampula province, more and more cases of corruption are coming to light. Particularly in the health sector, complaints have increased in recent months. Many cases include illegal payments for services, often anonymously reported to authorities by the victims.

According to the prosecution, the money was fraudulently obtained in a scheme that included illegal salary and other fraudulent payments to the accused, in a scheme that had been running in this institution since 2015. The accused range from administration officials, nurses, to auxiliary staff working in the Nampula Provincial Hospital.

There are more allegations of corruption in the Mozambique health sector. Last year, Anti-Corruption Offices in Nampula, Cabo Delgado and Niassa reported more than 200 suspected cases of corruption, especially in the customs, education and health sectors.

**Maputo: Two traffic policemen arrested for extortion**

Two more members of the Mozambican traffic police have been caught extorting money from motorists. The identities of the two arrested men have not been released. They are facing both disciplinary and criminal proceedings. They were filmed by a motorist and the video circulated on social media. A copy of the video was also sent to the independent television station STV, which aired it repeatedly. The video shows the policemen stopping vehicles in the southern city of Matola last year, taking money from the drivers, and then sending them on their way. In one shot, one of the policemen can be seen discreetly counting banknotes after extorting them from a motorist.

This is the third case in a month. In December, a police officer who had been head of the traffic police brigade at the Moamba toll gate, on the Maputo-South Africa motorway, was also filmed extorting money from South African tourists. The officer was also arrested. He was in possession of over 28,140 meticais in three currencies (meticais, US dollars and South African rands).

**New data shows eroding corruption status for Mozambique**

The latest data from Transparency International shows a substantial drop in Mozambique ranking in the watchdog’s Corruption Perception Index. Data shows that Mozambique lost 30 positions in the Index. In 2015, it was in 112th place, and in 2016, it dropped to 142, largely because of the country hiding its public debt, in addition to the bribery cases that have emerged recently showing Brazilian and other companies paying bribes to Mozambican officials.

**Economy**

**Economic problems hit the services sector**

The latest data from the National Statistics Institute (INE) shows an erosion of performance across most economic segments, including the tertiary sector. Among most affected are the commerce and transportation industries, as companies see their financial results shrink. The INE data also shows the second consecutive month of a deterioration in business confidence.

For the general commerce sector, the drop in business confidence is
attributed to a bleak forecast for demand, based on a study performed by the industry. Even the December 2016 holiday season was affected by a general drop in demand. This is a situation the industry is not expecting to improve in the foreseeable future. In addition to a decrease in demand, the industry is forecasting a drop in prices, a phenomenon that appears in contradiction with the reality on the ground, as reflected by the drop in the value of the local currency. Nevertheless, there is a widespread consensus in the retail and wholesale sectors that both decreasing prices and demand are likely to affect their general performance going forward.

The INE survey shows that more than one third of Mozambican companies are facing performance difficulties, with the main factors including competition and lack of access to credit.

Confidence in the transport services sector also fell due to a negative assessment of turnover and employment prospects. Low orders, together with the current rates for transport services continued, in line with the fall in the sector synthesis indicator, in a context of declining sector tariffs prospects.

Companies felt to be experiencing constraints stood at 35% of those surveyed. Structurally, high operating costs, low demand and competition remained the factors negatively impacting performance in the sector the most.

Mozambique defaults on its debt payment, creditors claim “statutory compensations”

As predicted by many financial analysts, the Mozambican Finance Ministry announced on 16 January 2017 that it would not pay the January provision of US$59.7 million for sovereign debt maturing in 2023, thereby leading to default. Early in the fourth quarter of 2016, the Mozambican authorities cited lack of liquidity and stressed that they viewed creditors as “important long-term partners whose support for the necessary resolution of the debt process will be critical to the future success of the country”.

Holders of the Mozambican public debt insist that they reserve the right to demand “statutory compensations” following the failure of Mozambique to pay nearly US$60 million of the January public debt repayment instalment. The group also said it remains available for discussion with the authorities. The group includes Alliance Bernstein, Franklin Templeton Investment Management, Greylock Capital Management, NWI and Pharo Management, who own more than 60% of the debt. The creditors insist the default “was unnecessary”, since Mozambican public finances registered improvements in the last quarter of last year that provided sufficient liquidity to make the payment.

Rating agencies revisit their Mozambique scores

Mozambique’s defaulting on its debt payment in January 2017 has prompted all major credit rating agencies to reassess their views of the country accordingly. Standard & Poor’s cut Mozambique’s rating to ‘SD/D’, that is, partial financial default, and suggested that non-payment was a government strategy to force debt holders to negotiate restructuring, which they have so far declined to do.

Fitch warned that Mozambique’s failure to pay the January installment will “increase the uncertainty” over the restructuring of sovereign debt issued in April last year.

A presentation to creditors published by the Mozambican authorities late in October 2016 implied a potential renegotiation of external debt to private creditors. The presentation said that Mozambique’s primary objective is “to resume relations with the IMF...to stabilize the economy and restore [the] confidence of the international community,” but this would require putting government and government-guaranteed debt on a sustainable path.

Fitch said it is unclear when and how negotiations with creditors might proceed. Bondholders still want details of potential IMF support and an audit of Mozambique’s SOEs to be
completed before they will discuss debt restructuring. It is unclear how potential inter-creditor disputes may play out.

Moody’s also said its Caa3 assessment already implied an assumption of potential losses for creditors of 20% to 35%, potentially reaching 50%, according to the history of sovereign defaults.

**Anadarko also launched a tender to contract**

US firm Anadarko launched a tender to contract an entity for the provision of technical assistance and implementation support for a livelihoods program in Palma district. The key sectors of the livelihoods program will be agriculture and poultry value chains. Pre-qualification closed on 31 January 2017.

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**New tenders hint on upcoming resumption of activity in the oil and gas sector**

Oil and gas companies continue to prepare for a resumption of activity, driven by the planned work on the Rovuma basin. Over the past two weeks, two companies have released tenders. The National Institute of Petroleum also launched a tender to contract companies for the rehabilitation of NIP’s old facilities and maintenance of the NIP’s headquarters building.

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**Oil & Gas Focus**

**New gas development projects announced**

Mozambique awarded gas development projects to Norway’s Yara International, Shell Mozambique and GL Energy Africa, the National Petroleum Institute (NPI) announced last week. Yara will develop fertilizers and 30-50 megawatts (MW) of power, while Shell Mozambique will produce diesel and 50-80 MW of power. GL Energy Africa will produce 250 MW from gas resources.
Political/Security: Mozambique is enjoying a moment of peace, with RENAMO and the government appearing to hold the truce they agreed upon at the end of December 2016. Both also seem to be working to prevent a return to confrontation and are looking forward to the prospect of political settlement to the crisis.

While RENAMO is already preparing for the local elections of 2018, which it boycotted in the last cycle, the President of Mozambique continued to readjust the country’s security services so as to align his political goals to the security challenges on the ground. This week’s dismissal of the head of the intelligence services is yet another step toward consolidating the truce on the ground.

In general, there is a sense of the importance of the ceasefire, but we remain cautious as to the ability of the two parties to hold the truce unchallenged. There are still parties that remain entrenched in their opposition to any peace process, and could still play a role in seeking destabilization.

Still, on the political front, Mozambique has to produce a lasting political solution that can sustain peace over the long run. Although important, the success of the current ceasefire is not enough and must be followed by a peace process over the next two months or risk a return to violence.

Social/Human: The volatile and severe weather patterns that have affected Mozambique since the start of the rainy season showed the country’s difficulty in dealing with emergency and humanitarian issues. Lack of sufficient resources, coupled with poor infrastructure, will continue to contain Mozambique’s ability to bring support and assistance to the affected populations, a situation likely to last until after the rainy season.

Economy: Mozambique’s economy is confronted with a severe set of issues, which were compounded this month by the country’s decision not to pay its January debt installment. The country is obviously headed towards very difficult debt repayment negotiations, and creditors are likely to impose tough restrictions and conditions to Mozambique.

Meanwhile, the country’s economic conditions will continue to face challenges as a result of forex conditions and the foreign currency crisis, in addition to broad industry issues, including a drop in power and energy supply.

There are however some positive factors ahead, including the current preparations taking place in the oil and gas sector in front of a resumption of activity related to the Rovuma Basin.
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Constellis is a leading provider of risk management, protective security, crisis management and enabling support services to governments, international organisations and major corporations across the globe. We specialize in serving the energy, construction, extractives, critical infrastructure, development and national security sectors—assisting our clients in understanding risk and in conducting their operations safely and securely, no matter their location. Constellis takes pride in our strict adherence to an exacting code of ethics and rigorous focus on standards and compliance—reinforcing the pioneering role we play in fostering stability, efficiency and sustainable economic development.

Representing client interests around the world, we maintain operations in more than 25 countries as well as a global network of strategic and local partners. Connected via our state-of-the-art operations command and control centres, we provide a rapid response capability spanning North America, Europe, the Middle East, Africa and Asia. Constellis is headquartered in just outside Washington, D.C. in the United States, and possesses regional offices in the UAE, UK, Afghanistan, Iraq, Nigeria and Kenya. The core values underpinning our operating philosophy are the provision of international best practices while conducting all activities with respect for people, cultures and traditions; to uphold the principles of integrity, reliability and trust; to build capacity through knowledge transfer and to strengthen and empower local economies and communities.

Ultimately, our commitment is to prioritize local talent and local suppliers and to develop a profound understanding of the societal, legislative and operational situation ‘on the ground’. This affords us and our clients a unique freedom of movement and enables us to create safe and secure environments in a discrete and sustainable manner.

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Constellis’ intelligence analysts and security consultants produce bespoke political and security reports, threat assessments and security risk assessments to inform decisions and to protect people and assets across Mozambique and Africa.

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