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How the IMF and World bank caused a resource curse and civil war in Mozambique

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Abstract

Mozambique's 3rd civil war is now in its 5th year in Cabo Delgado province, in the northeast of the country. More than 4300 people have died and nearly one million people have been displaced, more than one third the population of the province. One of the largest investment projects in Africa has been halted by the war. President Filipe Nyusi blames unnamed foreign "evil forces". The United States blames Islamic State. But many researchers say the war is a local response to a resource curse - poverty and inequality have grown and local people are not benefitting from a promised natural resource "El Dorado". Only foreign companies and some members of the Mozambican elite appear to have gained. This, in turn, derived from "shock therapy" which was imposed on Mozambique at the end of the Cold War, with the goal of rapidly turning the "communist" elite into a capitalist elite. This created the local oligarchs who control access to the mineral and gas resources of Cabo Delgado, and do not share the wealth. Local people have now rebelled.

Keywords Mozambique; Cabo Delgado; gas; ruby; shock therapy; oligarch; inequality; corruption; World Bank; IMF; post-Cold War

1. Introduction

A small local war steadily expanded, until insurgents were active in most of Cabo Delgado province. A huge natural gas field just off-shore is being developed at a possible cost of more than \$50 bn by oil and gas majors including ExxonMobil and ENI. TotalEnergies was taking the lead with a gas liquification complex on the Afungi Peninsula, which allows liquified natural gas (LNG) at -160°C to be shipped across the world. Palma, a small district town on the coast just to the north, became the gas boom town. Mocimboa da Praia, a larger district town 60 km south with a port and airport, became the local transport centre.

Mocimboa da Praia fell to insurgents in August 2020 and Palma in March 2021, when the guerrillas also reached the gates of the Afungi project. TotalEnergies evacuated its staff on 3 April 2021 and declared *force majeure* and stopped all work - which has not resumed. The war became internationalised with military support - advice, training, and troops - from 23 countries to the government and limited support from Islamic State for the insurgents.

The roots of the war are much debated. President Filipe Nyusi says there is no local grievances. On 7 August 2022 he said the war is "terrorism created and financed by evil forces", which he never names. "This is a new form of colonialism [in which] minds are funded and used for this goal of 'recolonising' Africa," he said. The objective is to create poverty and pillage Mozambique's resources.¹

¹ Moçambique/Ataques: Presidente diz que 'terrorismo' visa pilhar recursos naturais, LUSA, 8 Aug 2022; Sobre o terrorismo: 'querem (re)colonizar-nos', diz Nyusi, *O País*, 9 Aug, with a shortened version in English on <https://clubofmozambique.com/news/mozambique-those-who-finance-terrorism-want-to-recolonize-us-says-nyusi-o-pais-222429>

The United States on 10 March 2021 labelled the insurgents as "Islamic State of Iraq and Syria – Mozambique (ISIS-Mozambique)" and designated them as both a "Foreign Terrorist Organization" and "Specially Designated Global Terrorists".²

But this view is widely rejected, especially by Mozambican and other researchers. In June 2021, the International Crisis Group³ said that the links between IS and the insurgents were "tenuous".

Graça Machel, widow of the first President, remains powerful in Frelimo, and on 11 April 2022 said "I know there is a great resistance to recognising that there are internal causes that facilitate the penetration of terrorists within communities, but it is a fact. We cannot think that it is just infiltration from outside".⁴

The latest World Bank Country Economic Memorandum (CEM), dated October 2021, says "there is a widespread consensus that among the driving forces behind the insurgency is the systematic sense of exclusion and grievances that were capitalized by extremist groups."⁵ The World Bank, the African Development Bank, UNDP and the European Union in a joint statement in a proposal for aid for Cabo Delgado said "at the root of this insurgency are perceptions of inequality, exclusion and marginalisation [and] perceptions of injustice in the distribution of benefits and opportunities arising from extractive activities". And they called for more "inclusive and equitable access to public services" and for efforts to "strengthen inclusive governance, with a focus on citizen participation [and] fighting corruption".⁶

In this working paper, we show that this war and the resource curse are a direct result of the "shock therapy" policies imposed on Mozambique at the end of the Cold War, three decades ago, by the IMF and the World Bank. Better known as applied to the countries of the former Soviet Union, Mozambique was the only African country to have the full "shock therapy" package imposed.

The full details of how "shock therapy" was imposed on Mozambique and its impact in creating oligarchs and inequality is the subject of an earlier working paper. Here we concentrate on how it shaped events in Cabo Delgado. We start with how Mozambique was trapped by the Cold War and how this shaped its first two decades of independence and allowed the West to impose "shock therapy". Next we show how this caused a resource curse. Finally we show how this morphed into civil war.

2. The Cold War road to "shock therapy"

Mozambique was a poor colony of Portugal in the southeast of Africa, and became a major victim of the Cold War. The US and Nato backed fascist Portugal because they needed the Azores islands as a refuelling point for the 1948-9 Berlin airlift. In exchange they agreed Portugal could keep its Africa colonies and backed it when liberation movement began in the 1960s as part of opposition to the fascist government of António Salazar. Frelimo began in the early 1960s in Cabo

² US State Department statement, 10 March 2021, <https://www.state.gov/state-department-terrorist-designations-of-isis-affiliates-and-leaders-in-the-democratic-republic-of-the-congo-and-mozambique/>

³ International Crisis Group (2021) Stemming the Insurrection in Mozambique's Cabo Delgado, *Africa Report*, Report 303, 11 June 2021, <https://www.crisisgroup.org/africa/southern-africa/mozambique/stemming-insurrection-mozambiques-cabo-delgado>

⁴ *O Pais* and LUSA, 11 April 2022.

⁵ Shireen Mahdi & Fiseha Haile Gebregziabher (2022), Mozambique - Country Economic Memorandum: Reigniting Growth for All, Washington DC: World Bank - <http://documents.worldbank.org/curated/en/099220105302232947/pdf/P1687540b030ec0bf0b9f00e2e1bc3dfce4.pdf>

⁶ The aid programme was agreed by government on 21 June 2022 only after the statement was removed. The original draft is on <https://bit.ly/Moz-ERDIN> and the government accepted version on <https://bit.ly/Moz-PREDIN>. The World Bank CEM is dated October 2021 but was only released in June 2022, and still contains the strong statement. <https://www.worldbank.org/en/region/afr/publication/mozambique-country-economic-memorandum-mozambique-needs-a-new-growth-model-for-sustained-inclusive-development>

Delgado, in what became the 1st civil war. With Nato backing Portugal, Frelimo was forced to gain support from China and the then Soviet Union. The fascist government in Portugal was overthrown in 1974 by soldiers refusing to die in the colonial wars. Mozambique became independent and Frelimo declared a socialist line.

With his 1980 election as US president, Ronald Reagan intensified the Cold War, and launched a series of proxy wars in countries he called "communist", including Mozambique. The hot wars of the "Cold War" era were carried out by proxy, in third countries. Apartheid South Africa was considered a bastion against communism and organised proxy wars in Angola, Namibia and Mozambique where the leadership was labelled "communist". In each they used or created an opposition guerrilla force - Renamo⁷ in Mozambique. Between 1982 and 1992 one million Mozambicans died and much of Mozambique's economic and social infrastructure was destroyed.⁸ This "proxy war" - Mozambique's 2nd civil war - ended with end of the Cold War.

The victors in the Cold War pushed to impose the "free market" on the countries of the former Soviet Union. Shock Therapy was imposed on more than 30 countries. Naomi Klein in her book *The Shock Doctrine* talks of "disaster capitalism", which was the idea of Milton Friedman, the Nobel Memorial Prize winner in economics. The concept is that it is easier to impose free market capitalism when there had been widespread destruction due to war or natural disaster.⁹ The collapse of the Soviet Union fit that, as did Mozambique after the massive destruction of the proxy war.

Shock therapy was intended to *rapidly*¹⁰ transform communists into capitalists. Only the political elite - the nomenklatura - had the power to capture assets including land, minerals, and government contracts, and thus could become capitalists. There was an enforced, rapid privatisation and a powerful group grabbed most of these former state assets, and came to be called "oligarchs". We define "oligarchs" as the people with the political power to gain control over land, resources, industries, international trade and finance; who turn their new assets into money by extracting rents, usually through links with international capital; and are informally "licensed" by the IMF, World Bank and donors under "shock therapy".

The US, some other western countries, and the Bretton Woods Institutions - World Bank and International Monetary Fund (IMF) - said they would help to rebuild Mozambique, but only if it accepted the "Shock Therapy" policies being imposed on the countries of the former Soviet Union.

In many ways, Mozambique is an anomalous member of the Shock Therapy group. Mozambique had been an object of the Cold War for four decades. It was still labelled "communist" and the massive destruction of the proxy war made it an obvious case for "disaster capitalism". But it was poor, African, and at the time was thought to have no natural resources. Because of the restrictions of Portuguese colonialism, Mozambique also had little local capital and a tiny business class.

Mozambique was apparently the only Africa country where this was imposed. And Mozambicans had to be taught how to be capitalists. Rapid privatization of 4000 enterprises¹¹ came first, supported by World Bank and donor "loans" which were not to be repaid. The World Bank noted that most went to a small group of people,¹² the new oligarchs. At the end of the war most business

⁷ As part of the 1992 peace accord, Renamo became the main opposition political party, which continues.

⁸ Joseph Hanlon (1996), *Peace without Profit*, Oxford: James Currey, page 15. <https://bit.ly/Peace-wo-Profit>

⁹ Naomi Klein, *The Shock Doctrine*, Penguin 2007.

¹⁰ "Fast" and "rapid" were used repeatedly by the promoters of Shock Therapy. The word "rapid" appears 27 times in David Lipton and Jeffrey Sachs (1990), *Creating a Market Economy in Eastern Europe: The Case of Poland*, Brookings Papers on Economic Activity, No. 1 (1990), pp. 75-147. They talk of "the need for a rapid and dramatic liberalization of the economy", adding "Both the economic logic and the political situation argue for a rapid and comprehensive process of transition."

¹¹ Luísa Diogo (2013) *A Sopa da Madrugada: Das reformas à transformação económica e social em Moçambique: 1994-2009*, Porto: Porto Editora

¹² Luis Landau (1998), *Rebuilding the Mozambican Economy, Assessment of a partnership*, Washington, DC: World Bank Operations Evaluation Department, p 3, Made public 1 Feb 2013. <https://bit.ly/Moz-Landau-88>

was servicing government and donors, and contracts went to the new oligarchs. It was soon clear that donors and lenders were turning a blind eye to what in the socialist era had been seen as corruption. The new oligarchs took their privileged position as part of the new free market. There was little sense of profit and loss or business plans; the "free market" meant privatised businesses, money, and contracts all came free from government and the international community.

In Mozambique at the top are the "big beasts" - oligarchs by right of participation in the independence war who have unquestioned power. These include former presidents Joaquim Chissano and Armando Guebuza, and Graça Machel who is widow of the first president.

"Shock therapy" was imposed 15 years after independence, so lower level oligarchs are too young to have participated in the liberation war and require patronage from the big beasts. These include ministers and children and extended family of oligarchs. President Filipe Nyusi is the son of independence fighters and rose to power with the patronage of General Alberto Chipande, an independence fighter and member of Frelimo's ruling Political Commission.

The oligarchs took advantage of the 1990-2005 "free market" to become rentier and comprador capitalists. They used their access to power to gain control of land and other assets. They are rentiers in the sense that they do not profit from production, but rather by taking profits (rents) from their control of existing assets. And they are compradors by making their profits by acting for foreign agents who make use of their control of key assets. In both cases, the profits are personal and do not contribute to the broader society.

From 1990 the IMF gained the dominant position in imposing shock therapy and made inflation control and austerity a priority. Two IMF rulings had an important impact. First, in a surprising and still unexplained ruling, the IMF said repairing war damage was inflationary. This hit trade in particular, because destroyed bridges could not be rebuilt. Donors were also unhappy because total aid was capped and donor pressure grew, leading to a partial easing of austerity and the cap on donor funding in 1996.

Second, between 1990 and 1995 the minimum wage was cut from \$30 per month to \$15. By 1995 two-thirds of Mozambican civil servants were below the absolute poverty line and could not buy enough food.¹³ This led to an informal privatization of services which was never challenged. Nurses and teachers demanded money from patients and parents for what were supposed to be free services. Over the next decade, this expanded, with police setting up roadblocks to collect money, teachers charging for school places, bosses demanding a payment for people applying for a job, etc.

This hit the army particularly hard. Oligarchs gained the contracts to supply food, and everyone in the supply chain took a cut. Only part of the salaries and food reached the soldiers, who in turn had to shake down civilians to get money to buy food. This seriously alienated civilians in war zones.

But in the 1995-2010 period the programme was a success - in IMF and World Bank terms. GDP grew. Oligarchs were created, who made their links with international capital. But the package of rapid austerity, privatisation, shrinking government, and a total free market led to increased poverty and inequality in all shock therapy countries, including Mozambique.

There was growing discontent, as the costs of "shock therapy" became obvious. In an earlier working paper, we noted that in Russia and much of the former Soviet Union this package of rapid austerity, privatisation, shrinking government, and a total free market led to increased poverty and inequality. This also happened in Mozambique. Luísa Diogo was prime minister from 2004 to 2010 and in 2012 became chair of the bank Barclays/ABSA¹⁴ Mozambique and continues in that post. In

¹³ Adebayo Abeyayo, Reginal Green, and Abdou Janha, (1995), Pay, Productivity and Public Service: Priorities for recovery in sub-Saharan Africa, UNICEF & UNDP.

¹⁴ Due to changes in ownership, ABSA was rebranded Barclays in 2013 and rebranded again as ABSA in 2019.

her 2013 book¹⁵ she says that the policies pushed by the IMF and World Bank were leading to "the shocking gulf between the haves and the have-nots. In other words, we had people who were getting rich and others who were staying poor and the trend was for this gulf to widen."

In 2018, just after the Cabo Delgado war started, the World Bank noted that Gross Domestic Product (GDP) expanded at an annual average rate of 7.2% between 2000 and 2016, making it one of the fastest-growing countries in Sub-Saharan Africa (SSA). But the growth was "pro-rich"; inequality was increasing and the Gini coefficient increased from 0.47 to 0.56 between 2008/09 and 2014/15. The number of poor people increased from 11 mn in 2002/03 to 12.3 mn in 2014/15. "Mozambique is among the most unequal countries in sub-Saharan Africa", the Bank reported. "Nearly one in two Mozambicans are trapped in chronic poverty and close to 25 percent of the population is highly vulnerable to fall into poverty."¹⁶

The World Bank's 2021 Country Economic Memorandum (CEM)¹⁷ underlines these points. "Mozambique's decades-long remarkable growth performance [makes it] one of the fastest growing economies in sub-Saharan Africa (SSA)." But it follows a "growth model that has been associated with a rise in inequality" and poverty, and "people in the bottom 40% of the income distribution have been largely left behind. ... Mozambique's impressive growth rates have disproportionately benefitted those at the top of the income distribution in urban areas." Rural roads remain poor while "infrastructure investment, notably road transport, has been skewed towards urban areas and export corridors." Cabo Delgado was being left further behind despite its resources.

CEM continues: Mozambique's existing growth strategy of "dependence on export-oriented, capital intensive megaprojects, with limited linkages to the rest of the economy [and] limited in its capacity to generate productive jobs and support accelerated poverty reduction. ... Today most jobs do not provide a sufficient stream of income of lift workers and their families above the poverty line." CEM co-team leader and senior country economist Fiseha Haile wrote a blog on the CEM headlined "Mozambique needs a new growth model for sustained, inclusive growth"¹⁸.

Yet the World Bank economists never admit that the old model that needs to be replaced is "shock therapy", imposed by the World Bank and IMF. The CEM notes that "Mozambique is ranked among the most corrupt countries in the world". But there is no admission that the IMF and World Bank had forced weak government and licenced oligarch corruption.

In particular, CEM notes that procurement is biased toward "well-connected firms" - a polite way of saying oligarch firms. Procurement was often linked to projects funded by donors and the World Bank and in the early years was one of the few ways that oligarchs could use their political power to grow as capitalists, and thus was licenced by the donors. As we note below, this is becoming a central issue in Cabo Delgado.

3. From resource boom to resource curse ...

For many years Mozambique attracted less global interest because it was not, like another Portuguese colony, Angola, a resource state. There were no oil or diamonds. Coal and hydro-electricity in Tete were inherited from the colonial era. Then in 2004 global coal prices doubled,

¹⁵ Luísa Diogo (2013) *A Sopa da Madrugada: Das reformas à transformação económica e social em Moçambique: 1994-2009*, Porto: Porto Editora.

¹⁶ Strong but not Broadly Shared Growth, World Bank Mozambique Poverty Assessment, April 2018; <https://documents1.worldbank.org/curated/en/248561541165040969/pdf/Mozambique-Poverty-Assessment-Strong-But-Not-Broadly-Shared-Growth.pdf>

¹⁷ Shireen Mahdi & Fiseha Haile Gebregziabher (2022), Mozambique - Country Economic Memorandum: Reigniting Growth for All, Washington DC: World Bank - <http://documents.worldbank.org/curated/en/099220105302232947/pdf/P1687540b030ec0bf0b9f00e2e1bc3dfce4.pdf>

¹⁸ Fiseha Haile Gebregziabher & Fernanda Massarongo: Mozambique needs a new growth model for sustained, inclusive growth (2 June 2022) World Bank blog <https://blogs.worldbank.org/african/mozambique-needs-new-growth-model-sustained-inclusive-growth>

and there was suddenly interest in Tete coal. The giant Brazilian Companhia Vale do Rio Doce¹⁹ signed a contract in 2007 to open a large mine in Moatize, Tete.

The IMF was still in control of the Mozambican economy and continued to restrict government spending. Vale paid a \$120 million signing fee for the government, but the IMF cap meant the money had to be kept off the budget and out of Mozambique. So the IMF and donors agreed a \$120 million slush fund could be kept in a New York bank account controlled by President Joaquim Chissano, who had personally negotiated the mining deal.²⁰ The oligarchs were being given a "licence" to keep money from foreign contracts offshore.

In 2020, gold hit its highest price in 40 years, and this sparked a gold rush in Manica province. Licences were issued to the Frelimo elite, who in proper oligarch fashion simply granted concessions to Chinese companies to run the mines. Flomining is the company of Florindo Jacinto Nyusi, son of President Filipe Nyusi, and has 15,000 ha concessions, some mined by a Chinese company. Adjoining Florindo's mine was the gold mine of the Guebuza family company, Focus 21. Other mines are owned by Frelimo members of parliament, ex Manica governor Felício Zacarias, the son of the head of the liberation fighters association, an administrator of the Cahora Bassa dam, and the former head of the stock exchange.²¹

However Cabo Delgado has become the real mineral centre. The end of the proxy war also opened the country to resource prospecting. Serious exploration began in Cabo Delgado from about 2005 with the elites and oligarchs making mining claims from 2010.

Cabo Delgado is a coastal province and has a long trading culture. Key products traded internationally have included ivory and other wild animal products, marine products, timber, and gem stones. All are now illegal or restricted. In the 1990s with the end of the proxy wars these trades and much other commerce came to be controlled by a small group of oligarchs, who also became involved in a major transit traffic in heroin. All of the illicit trade is well known and accepted by the international community which turns a blind eye. Illicit trade dominated the economy and was simply a normal part of the "free market".

The two "big beasts" in Cabo Delgado who are linked to the resources are Alberto Chipande and Raimundo Pachinuapa. Both are local, Makonde, and were leaders in the independence war. Chipande is 82 years old and sits on the ruling Frelimo Political Commission; Pachinuapa is 83 and only retired from the Political Commission in September 2022. This underlines the continued power of the older generation of liberation leaders.

In 2009 Raimundo Pachinuapa heard that artisanal miners were finding rubies near Montepuez, so he claimed 35,000 ha - a block 19 km by 19 km. All the occupants were evicted, both farmers and artisanal miners. And in the oligarch model, as he could not run a ruby mine, he sold three quarters to Gemfields - a British-South African company. Pachinuapa's son Raime is now corporate affairs director of Montepuez Ruby Mining (MRM) and Samora Machel Jnr, son of the first president, is chair. In 15 auctions 2014-21 MRM sold rubies for a total of \$732 mn.

Cosme Jacinto Nyusi, brother of President Filipe Nyusi, has prospecting licences in Cabo Delgado.²² Flomining of Nyusi's son Florindo has concessions of 27,000 ha for graphite prospecting.

¹⁹ Now just Vale.

²⁰ Selemene, Tomás. *Alguns Desafios na Indústria Extractiva em Moçambique* [Some extractive industry challenges in Mozambique]. Maputo: Centro de Integridade Pública, 2009, 14.

²¹ *Savana* (Maputo) 20 November 2020.

²² Aldemiro Bande (2022), *Interesses Empresariais no Sector Mineiro: A ascensão de um empresário chamado Cosme Jacinto Nyusi*, Centro de Integridade Pública, Maputo, 18 October 2022.

<https://www.cipmoz.org/pt/2022/10/18/interesses-empresariais-no-sector-mineiro-a-ascensao-de-um-empresario-chamado-cosme-jacinto-nyusi/>

Offshore oil and gas exploration began seriously in 2007. The goal had been oil, but in 2010 the US company Anadarko (US, since sold to Total, France) found the third largest gas field in Africa. Other companies also found parts of this field, including ENI (Italy) and ExxonMobil (US). Over the next decade this led to planned developments ranging from \$50 billion to \$100 bn - said to be the largest foreign investment in Africa.

Mozambique's excellent on-line mining cadastre²³ shows that Cabo Delgado is the centre of the resource boom and that in the past decade almost all the available land in Cabo Delgado has been claimed - except for national parks and the gas exploration zone. There is little land left for farming.

Gas, rubies and other resources were billed as turning Cabo Delgado into El Dorado and as the success of neoliberalism and shock therapy. For local people, however, they turned into a resource curse. In partnership with outsiders, the oligarchs kept control.

Mozambican land law give rights to occupants, but mineral rights override this. Anadarko and MRM displaced thousands of people,²⁴ some of whom who have been given houses but no farmland. How will these families earn a living? Resettlement is only about housing, and not livelihoods. And in the next decade it will get much worse as people are thrown off land for gas, graphite and gemstones.

The battle between local people and the ruby mine continued. In 2019 Gemfields agreed to pay \$8.3 mn to settle all 273 claims of killings, severe beatings and house burnings. The case had been brought in the London High Court but was settled by mediation. The 273 claims included 18 people said to have been killed by mine security forces and Mozambican police, including shooting, beating to death, and burying alive. There were nearly 200 claims of beatings, torture, and sexual abuse - many leading to such serious injuries that people's subsequent ability to work was limited. And there were 95 property claims related to the repeated burning of Namucho-Ntoro village; some people allege they were both beaten and had their houses burned.²⁵

Artisanal miners, known by the Brazilian term *garimpeiros*, have a long history in northern Mozambique dating back to the colonial era, mostly mining gold and gemstones. It was *garimpeiros* who first found the rubies. Artisanal mining is precarious and dangerous, but it provides thousands of livelihoods - not just miners, who are mostly young men, but a whole network selling them food and other supplies, and traders buying the rubies and other gemstones. After the expulsions from MRM, government passed a law²⁶ in 2015 making artisanal mining effectively illegal, by requiring *garimpeiros* to obtain licences which were rarely issued. This was to ensure that oligarchs and foreign companies kept control of gold and gemstone mining rather than local communities. MRM provides some jobs, but to local communities the economic damage has been large.

Next, the development of the gas came as a shock to local people, as they saw outsiders coming in expensive 4x4s but no jobs for local people or contracts for local businesses. Contracts for construction aggregate (gravel, crushed stone and sand) went not to local quarries, but to Maputo based people linked to local oligarchs, who gained mining rights and opened new quarries. Many local businesses did not have the experience and contacts to bid for gas contracts.

²³ Mozambique Mining Cadastre Portal <https://portals.landfolio.com/mozambique/en/>

²⁴ Anadarko was granted 6625 hectares on the Afungi Peninsula and displaced 557 households, about 2500 people, to a resettlement village Quitunda just outside the walls - <https://mzlng.totalenergies.co.mz/en/sustainability/resettlement/resettlement-plan> See also <https://ejatlas.org/conflict/afungi-lng-construction-site>. There are no reliable figures for the numbers displaced by MRM.

²⁵ *Mozambique News reports & clippings* 436, 29 Jan 2019, Ruby miner Gemfields to pay \$8.3 mn to settle Montepuez torture & murder claims, <http://bit.ly/Ruby-Moz436>

²⁶ Decreto 25/2015 (Regulamento de Comercialização de Diamantes, Metais Preciosos e Gemas), replaced by Decreto 63/2021 (Regulamento de Comercialização de Diamantes, Metais Preciosos e Gemas) which maintains the mining licence system.

After independence, Mozambique expanded primary education. Although Cabo Delgado still has the worst education, there is a large group of young men who have completed four to seven years of primary school. They do not want to follow their illiterate parents doing the backbreaking work of farming only with a hoe and machete or fishing by walking along the beach with a net. They consider themselves educated and wanted jobs linked to the gas. But the gas contractors are only hiring people with secondary education²⁷ and experience. Mozambicans with qualifications come from the south, but most of those hired are foreigners. Anadarko told the banks that it planned to bring in 15,000 experienced workers, mostly Filipinos.

As part of "corporate social responsibility" TotalEnergies in March 2022 began to train 2500 young people. The first 120 came from camps of displaced people. The training is for electricians, carpenters, bricklayers, plumbers, painters, and solderers.²⁸ But TotalEnergies is not promising to hire any of these people, probably because the 3 to 6 months training is too basic for jobs offered by TotalEnergies for the LNG project. And apprenticeships of the sort normally demanded are a minimum of 18-24 months after the basic training offered in this scheme. So young people will see it as just another token project.

Graphite has become important for the green energy transition and Cabo Delgado has high quality graphite which is now being mined. The mine in Balama, Cabo Delgado, owned by Australian based Syrah Resources, began production in 2021. The mine has global implications as the United States tries to keep key minerals essential for green energy away from China. The US Department of Energy (DoE) in an 18 April 2022 statement said "today the United States is 100% reliant on imported graphite as China produces nearly all of the high-purity graphite needed to make lithium-ion batteries" and it announced a \$107 mn loan to Syrah Resources to build a processing factory in Vidalia, Louisiana, to produce anodes for lithium-ion batteries from Balama graphite. The DoE said the plant would create "98 good-paying, highly skilled operations jobs within the clean energy sector." Yet again, in the new free market, Mozambique gets nothing but a hole in the ground, while the manufacturing is in the US.

4. ... and on to war

Cabo Delgado is among the most deprived and marginalised provinces, with the highest level of low birth weight babies (6%).²⁹ Per capita income is second lowest (\$21 per person per month); in part this is because 90% of the population is self-employed and 79% of the population earns their living from farming or fishing. Only 52% of households have chairs and only 30% have tables, both much lower than any other province. Illiteracy is second highest in the country (52%, but for women it is 67%, the highest in the country), the percentage that has never been to school is highest (66%) and the Cabo Delgado has highest level of school age people not in school.³⁰

This feeds into a series of political and social divisions. There are three language groups. The Makonde are inland on the plateau, are largely Christian, provided many of the leaders of the independence struggle, and still play a major role in Frelimo. The Muani are Muslim and coastal; kiMuani is a Swahili-based language. Makonde and Muani are both from northern Cabo Delgado and exist on both sides of the colonial border between Mozambique and Tanzania; the Muani in particular maintain strong family and trading links into coastal Tanzania. The Muani also played an

²⁷ Mozambique LNG (TotalEnergies) Nova oportunidade de formação online em Moçambique.

<https://mzlng.totalenergies.co.mz/pt-pt/conteudo-local/nova-oportunidade-de-formacao-online-em-mocambique> This also requires successful completion of a mooc course, which restricts it to people with web access.

²⁸ Domingo 13 March 2022. "Corporate social responsibility" continued despite TotalEnergies suspending work on the main project, discussed below.

²⁹ Instituto Nacional de Estatística, Estatísticas e Indicadores Sociais, 2013-2014

<http://www.ine.gov.mz/estatisticas/estatisticas-demograficas-e-indicadores-sociais/estatisticas-e-indicadores-sociais/estatisticas-e-indicadores-sociais-2014/view>

³⁰ Instituto Nacional de Estatística, Inquérito sobre Orçamento Familiar – IOF 2019/20

<http://www.ine.gov.mz/operacoes-estatisticas/inqueritos/inquerito-sobre-orcamento-familiar/iof-2019-20/inquerito-sobre-orcamento-familiar-iof-2019-20/view>

active part in the liberation struggle. The third group is the Macua, who live in southern Cabo Delgado, Nampula and Zambézia. eMacua is the largest mother tongue in Mozambique, spoken by 25% of the population. In Cabo Delgado, the Macua are largely Muslim. A further division is that in the north of Cabo Delgado Macua and Muani tend to vote for the opposition, Renamo.

João Feijó of the Rural Observatory (OMR, Observatório do Meio Rural) is one of the most important researchers on the roots of the Cabo Delgado war. He explains:

"On the part of the Muani and Macua populations, the State is seen as a partisan field and captured by specific ethnolinguistic groups (mostly Makonde and in alliance with elements of the South). The resulting feeling of social exclusion was exacerbated by the election of a Makonde for President of the Republic [Filipe Nyusi in 2014], which coincided with a greater affirmation of the state's forces in the control of natural resources in the province, a process locally interpreted as serving powerful Makonde individuals. This situation interrupted innumerable stealth activities in the exploration of wood, ivory and precious stones, affecting thousands of young people in terms of access to income. The situation was aggravated by population resettlement processes and by limited access to production sites, namely agricultural land and fishing areas, feeding situations of tension and conflict."³¹

In his interviews, Feijó found that "in the district of Mocímboa da Praia, and in some areas of Macomia and Palma, particularly in places of coexistence of Makonde, Muani and Macua, there is an emphasis on Makonde privilege in accessing state subsidies." Frelimo and Makonde are seen as the same thing, and there are complaints about the politicized nature of the attribution of pensions of ex-combatants, which go overwhelmingly to Makonde, as well as of the rural grants known as the "seven million". There is also a feeling of discrimination and disadvantage towards foreign citizens or those from the south of the country (known as Maputecos, based on Maputo, the capital), seen to gain the best jobs to the detriment of the provincial populations.

Feijó concludes: "In fact, a relatively small group of Makonde families shows a great capacity for political influence (both at central and provincial levels) in the most diverse aspects of the reality of Cabo Delgado, with a strong power of influence even at the local level." Those are the people we identify as oligarchs, empowered by Shock Therapy.

Mocimboa da Praia became a centre of confrontation, and a 6 September 2005 riot in which 12 people were killed should have been a warning. The neighbourhood named 30 de Junho exemplified the divisions. On one side of the main road is the older Muani community, and in multi-party elections, they backed Renamo. On the other side of the road are the Makonde in a newer neighbourhood developed as they began moving toward the coast. The Catholic Makonde began erecting big crosses - provocative in a predominantly Muslim town. In a 21 May 2005 by-election, the Frelimo candidate was elected mayor by 553 votes, but the margin was clearly due to fraud, as reported by observers at the time. When protests were ignored and the new mayor was inaugurated, the crowd attacked the houses of the Frelimo leaders who were seen having unfair political and economic power, and as having stolen the election, according to a PhD thesis by Ana Santos.³²

One other thing had been added to the mix. With the new constitution in 1990 and end of the war in 1992, Mozambique was opened to missionaries, and both Christians and Muslims arrived, and both included radicals and fundamentalists. And both sent people abroad for training. Young Muslim scholars from Cabo Delgado and Nampula provinces were sent to Saudi Arabia and

³¹ João Feijó, *Asymmetries In Access To The State: A Fertile Land For The Penetration Of Islamic Jihadism?*, Observatório do Meio Rural (OMR), Observador Rural 93, June 2020: <https://omrmz.org/omrweb/publicacoes/or-93/> English and Portuguese.

³² Ana Santos (2010), *History, memory and violence: changing patterns of group relationship in Mocímboa da Praia, Mozambique*, PhD thesis, <https://bit.ly/Mocimboa-2005>; Joseph Hanlon, *A history of violence presages the insurgency*, *Mozambique News reports & clippings* 498, 13 Aug 2020, <https://bit.ly/Moz-498>.

Tanzania and some returned with a new more Quranist³³ or fundamentalist line, setting up local mosques and attracting some support. Their message contained two political components. First they argued that Sharia meant equity and a fair share of the resource wealth - a semi-socialist line not unlike Frelimo 50 years earlier. Second, they argued that the existing Islamic leadership was southern-based and aligned to Frelimo.

Some mosques began lending money to local people to set up businesses and create jobs. Government was still following the neo-liberal line that required all lending to go through banks on commercial grounds, and banks were not interested in small rural entrepreneurs.

As Lúisa Diogo and others were warning of rising inequality and poverty, when local young men were seeing no gains from the rubies and gas, and when the oligarchs were squeezing local people, the militant mosques attracted supporters with a relatively simplistic message that mixed Sharia and Quranist Islam with an anti-Frelimo message - and that also promised jobs.

The first shots were fired in a new civil war with an attack on Mocimboa da Praia on 5 October 2017. The date was carefully chosen - it was the day after the Peace Day holiday, and most officials were away at a Frelimo rally in Pemba, so there was no resistance. The raid targeted 3 police stations and was led by 30 armed men who killed 17 people, including two police officers and a community leader. The attackers did not hide their identity and included local businessmen.

The insurgents gained local support and using traditional guerrilla tactics initially attacked villages but eventually gained control of four districts and their capitals. The only paved road north (N380) became unsafe. In August 2020 insurgents captured Mocimboa da Praia town and port, and held them. Soldiers who were corrupt, poorly equipped and trained, and unmotivated soldiers, plus police who were harassing local people, were no match for insurgents with some local support.

Most of the fighters are young, from Cabo Delgado, angry at the government and less interested in religion, concluded Feijó in an April 2021 study. The insurgents "proved adept at capitalising on the local population's historical feelings of exclusion, compounded by resentment towards state violence, leading them to rebel against the state but also against their communities of origin," Feijó notes. There is "great resentment towards the government, and it can be seen that the motivation is predominantly material."³⁴

The gas boom town of Palma was under siege from several months, with access roads cut and growing food shortages. Mocimboa da Praia had been cut off in the same way before it was attacked. Palma was occupied by insurgents on 24 March 2021 and held for a week. Insurgents targeted and damaged government buildings, including the hospital and pursued government officials. The district administrator was a prime target and took refuge in the Amarula Hotel which was put under siege by insurgents until he was rescued by a mercenary helicopter. But the Amarula and other contractor installations were never attacked.³⁵

The final straw occurred during the week after the insurgents withdrew. The town was sacked by the security forces - police and army; compounds, containers, and hotels and others buildings broken into and looted. Piles of mattresses were seen outside one police station. But most dramatic was the looting of two banks not attacked by insurgents. Vaults were first attacked with explosives, then the safes were opened using diamond drills powered by generators taken from

³³ Quranists or Koranists regard the Quran as the only valid source of religious belief and reject the authority of other sources, such as hadith. In Mozambique this leads to practices such as wearing shoes in mosques because the Prophet prayed in shoes.

³⁴ João Feijó, Characterization and social organization of Machababos, Observatório do Meio Rural (OMR), Observador Rural 109, 6 April 2021: <https://omrmz.org/omrweb/publicacoes/or-109/> English and Portuguese.

³⁵ Amnesty International confirmed that "the assault concentrated on public infrastructure and government facilities, rather than homes." Amnesty International, Mozambique: Rescue attempts jeopardized by racial discrimination, 14 May 2021 update, <https://www.amnesty.org/en/latest/news/2021/05/mozambique-rescue-attempts-jeopardized-by-racial-discrimination-following-palma-attack/>

gas contractors.³⁶ The Amarula Hotel was stripped but the structure was not damaged, and it later reopened by buying its furniture back from security service looters.³⁷

Total on 26 April 2021 declared "force majeure" on its Mozambique LNG project, due to "the security situation in the north of the Cabo Delgado," and stopped all work.³⁸ As attacks moved into the south of Cabo Delgado, work was temporarily suspended on ruby and graphite mines several times after July 2022.

By October 2022, 4332 people had been killed in the war.³⁹ The number of displaced people who fled their homes due to the war had reached nearly 1 million by 4 October according to UNHCR spokesperson Matthew Saltmarsh. This includes 250,000 who fled in 2022. Of the displaced, 138,231 have been able to return home.⁴⁰ More than one-third of the population of Cabo Delgado has now been displaced by the war.

5. External and internal

In our textbook *Civil War, Civil Peace*⁴¹ we noted that civil wars are complex and all are different, but most civil wars have both external intervention and local grievances. The relative importance and the sequencing is different in each war.

There was a range of external interventions before the war actually started. One part was the IMF and World Bank creating oligarchs, who then worked with foreign mineral and gas companies to create the resource curse. Another part was foreign and foreign-trained fundamentalist preachers telling a largely Muslim audience that Sharia law would end the resource curse. The war when it started was in part a division within the Muslim community, with the younger militant preachers arguing that official Islamic Council of Mozambique (CISLAMO) was linked to Frelimo and the oligarchs and was supporting the theft of Cabo Delgado's wealth.

The start of the war was clearly local, and gained significant local support. The insurgents call themselves, and are called by the local people, 'machababos'.⁴² They have not been referred to as IS fighters.⁴³

³⁶ *Mozambique News Reports and Clippings* 536 11 Apr 2021, 549 2 June 2021; Sack of Palma: Army soldiers clear out everything, including banks (BCI and Standard Bank), *Carta de Moçambique* 2 June 2021, my English translation on <http://bit.ly/Moz-PalmaSack>

³⁷ Charles Onyango-Obbo, *The East African* (3 April 2022); *Mozambique News Reports and Clippings* (8 Apr 2022) In Mozambique's Swahili-speaking region and home of President Nyusi, <https://bit.ly/Palma-loot>; <https://bit.ly/Moz-592>

³⁸ <https://www.total.com/media/news/press-releases/total-declares-force-majeure-mozambique-lng-project>

³⁹ Armed Conflict Location & Event Data Project (ACLED) as reported in *Cabo Ligado Weekly 10-16 October 2022*. <https://acleddata.com/> and <https://www.caboligado.com/>

⁴⁰ UNHCR, Nearly 1 million people have fled five years of northern Mozambique violence, official summary of a statement by UNHCR spokesperson Matthew Saltmarsh, 4 October 2022; OCHA, Mozambique - Cabo Delgado, Nampula & Niassa Humanitarian Snapshot - June 2022, 25 July 2022; OCHA, Mozambique: Displacement influx in Cabo Delgado and Nampula provinces Situation Report No. 1, 25 July 2022; IOM - UN Migration 27 June 2022, Mozambique, IDP Returnees Update

⁴¹ Helen Yanacopulos and Joseph Hanlon (2006), *Civil War, Civil Peace*, Open University, Milton Keynes, UK. This was the textbook for the 2005-2014 Open University course "War, Intervention and Development". <https://bit.ly/Civil-War-Civil-Peace>

⁴² "Youth" in Arabic is shabaab, which is also used in Swahili. The insurgents thus referred to themselves as "al Shabaab", but with no link to other al Shababs. Local people use the plural Portuguese form to refer to the insurgents as "al shababs". All three local languages, Mwani, Makonde and Makua, are Bantu languages which create plurals by adding 'ma' in front of the word. Therefore, "al shababs" becomes "machababos".

⁴³ Joseph Hanlon, Ignoring the Roots of Mozambique's War in a Push for Military Victory, *Accord Conflict Trends* 2021/2, 24 Aug 2021. <https://www.accord.org.za/conflict-trends/ignoring-the-roots-of-mozambiques-war-in-a-push-for-military-victory/> provides a background on violence in the zone and in coastal Nampula. See also Eric Morier-Genoud (2020) The jihadi insurgency in Mozambique: origins, nature and beginning, *Journal of Eastern African Studies*, pp 396-412, <https://www.tandfonline.com/doi/pdf/10.1080/17531055.2020.1789271?needAccess=true>.

As is common in civil wars, external involvement increased, with each side responding to the other. A year after the start of the war, Islamic State (IS)⁴⁴ began to publicise insurgent successes on social media. In 2019, for a limited period in captured towns, insurgents sometimes flew the IS black flag and video-recorded IS statements.

Mozambique hired Russian Wagner mercenaries in September and October 2019, but they failed and fled. Apparently they had no experience of jungle warfare, and also could not cope with the domestic split between the Mozambican army and police. The Mozambican police then hired the South Africa private military company Dyke Advisory Group to provide air cover in 2020; it is run by Lionel Dyke who was in the Rhodesian Security Forces before Zimbabwe independence. Dyke had some success, but its contract was not renewed.

IS responded with limited practical support in 2020, including training, arms, and financing. Freelance jihadis, who came from other wars, have also played a role, including providing combat and tactical skills training. The training may have helped the insurgents to move from raiding villages to coordinated attacks capturing district towns.

On the government side, corrupted security forces better organised for looting than for fighting were not going to win the war. On 28 April 2021, just days after TotalEnergies pulled out, Mozambican President Filipe Nyusi flew to Rwanda for talks with President Paul Kagame. Ten days later a reconnaissance team of Rwandan officers was in Cabo Delgado. Nyusi and Kagame were in Paris for the French Africa summit 17-18 May; both met President Emmanuel Macron and Cabo Delgado was discussed. On 9 July 2021 the first of 2000 Rwandan soldiers and police arrived. They were already fighting by 20 July and on 8 August recaptured Mocimboa da Praia.

South Africa has provided 1500 soldiers to the Southern African Development Community Mission in Mozambique (SAMIM) and Angola, Botswana, Lesotho, Namibia and Tanzania have sent smaller units. SAMIM began fighting shortly after the Rwandans. There are now 23 countries providing some form of military support - troops, training or advice. The EU and the United States have training missions. US secretary of state Antony Blinken in a 14 July 2021 telephone call with President Nyusi stressed that a major US interest in Mozambique was "countering ISIS"⁴⁵.

Again, IS responded and in 2022 began to broadcast prompt and accurate reports of attacks, including video, which suggests some media coordination. And it tried much harder to brand the Cabo Delgado insurgency as IS. This is still a local war⁴⁶ - but with increasing IS involvement.

And a year after their arrival, it was clear that foreign troops are unlikely to win the war.

Frank Gardner OBE, the BBC's highly respected security correspondent, noted that "Counter-insurgency is never just about military victories, it involves that old cliché of 'winning hearts and minds' ... It needs good governance and investment in the local community: schools, roads, jobs - enough to assuage people's sense that they have been abandoned by their government while big foreign multinationals sweep in and reap the benefits of their country's precious natural resources."

In his BBC report "Mozambique: Why IS is so hard to defeat in Mozambique?"⁴⁷ Gardner noted that "In Afghanistan I saw how tactical military victories over the Taliban by Nato and Afghan government forces were later undone by a failure of government. ... The same will happen in Mozambique if the coming military effort is not backed up by a marked improvement in civil affairs."

⁴⁴ Macalane, Geraldo Luís and Jafar, Jafar Silvestre (2021) *Ataques Terroristas em Cabo Delgado (2017-2020): As causas do fenómeno pela boca da população de Mocimboa da Praia*, Pemba: Universidade Rovuma.

<http://bit.ly/MozAtaquesMocim>

⁴⁵ Ned Price, spokesperson, US Department of State, 14 July 2021. <https://www.state.gov/secretary-blinkens-call-with-mozambican-president-nyusi/>

⁴⁶ Coastal Islamic people have had family, cultural and trade links with coastal Tanzania for centuries and there are now some Tanzanians in the leadership.

⁴⁷ Frank Gardner, Why IS is so hard to defeat in Mozambique?, BBC, 31 Mar 2021, <https://www.bbc.co.uk/news/world-africa-56597861>

6. Conclusion

Shock Therapy 30 years ago was intended to quickly convert the Frelimo elite from socialists to comprador and rentier capitalists. And it worked spectacularly well. Oligarchs were created who used their political power to gain control of assets, notably the resources that 30 years ago no one realised were there in Cabo Delgado. And as intended, they allied with global capital to exploit those assets. And Mozambique became one of the fastest-growing economies in Sub-Saharan Africa.

That growth proved the success of the policy. And it created a Mozambican definition of the free market. The donor Consultative Group met in October 2001, just two months after the Siba-Siba Macuacua, head of banking supervision of the central bank, was murdered by throwing him down the stairwell of a 15 storey bank building, and a year after investigative journalist Carlos Cardoso was gunned down. Mozambique asked for \$600 million in aid and was given \$722 million. Sergio Vieira, a former security minister, said this showed that the international community recognised "the good performance of the government" in implementing Shock Therapy and that this "overrides the bank scandal and the assassinations."⁴⁸ Later, the president was told to keep \$120 mn in coal money out of the country.

This was not just silence and a blind eye; this was a reward for good conduct. The oligarchs read this - correctly - as a message that the new free market licenced the oligarchs to steal and kill, deal in drugs and timber, and ensure that a significant part of the economy was off the books. And then came rubies and gas, and donors again said if they made the right deals with global companies, of course they were allowed to profit. This is the "free market".

Across the world, the post-communist states had shock therapy imposed and oligarchs were created who were largely above the law. Each country was different, but for the most part, the oligarchs were feted by the donors and business press. Shock therapy worked in Mozambique and other countries.

Most Mozambican senior oligarchs were political and military leaders with little or no business experience. The international community taught them a particular version of capitalism and a "free market", where stealing and killing was normal and accepted, and where contracts and loans go to the powerful - the oligarchs and their comrades. "Greed is good" was the slogan of the time, and the oligarchs learned their lesson.

But 25 years after the World Bank and IMF set Mozambique on that course, and a year after the start of a civil war in Cabo Delgado, the World Bank began to worry that the growth was "pro-rich". Inequality and the number of poor people continue to increase. "Mozambique is among the most unequal countries in sub-Saharan Africa. ... Nearly one in two Mozambicans are trapped in chronic poverty," the Bank said.⁴⁹

The future is not hopeful. On 21 September 2021 the Council of Ministers approved the reconstruction plans for Cabo Delgado. It consolidates power in Maputo, leaving little say for people in Cabo Delgado, concluded an investigative article in *Cabo Ligado Monthly*.⁵⁰ It says the reconstruction plan

"indicates Maputo's other priority for Cabo Delgado: re-establishing political control over the province. Ever since the discovery of natural gas in Cabo Delgado, the Mozambican government has worked to consolidate political power over the province in Maputo, a process that only accelerated over the course of the conflict. The reconstruction plan

⁴⁸ Domingo, 2 December 2001.

⁴⁹ Strong but not Broadly Shared Growth, World Bank Mozambique Poverty Assessment, April 2018; <https://documents1.worldbank.org/curated/en/248561541165040969/pdf/Mozambique-Poverty-Assessment-Strong-But-Not-Broadly-Shared-Growth.pdf>

⁵⁰ *Cabo Ligado Monthly*, October 2021, published 17 Nov 2021, <http://bit.ly/Ligado-Oct21> - English and Portuguese

pushes control further into the hands of Mozambique's president. As the plan makes clear, the lead implementers of the plan at the national level are the Council of Ministers - the president's cabinet, which serve at his pleasure. At the provincial level, implementation is led by the Provincial Secretary of State, with the Provincial Governor explicitly relegated to an 'assistance' role. The distinction is important because, under Mozambique's recent constitutional reforms, provincial governors are directly elected by citizens of each province, but provincial secretaries of state are appointed by the president. ... centralization of implementation allows Frelimo to pursue political consolidation with international partners' money." ... [this] could leave Cabo Delgado citizens with even less local control over their political future than they had before the conflict."

Cabo Ligado adds that "there is plenty of evidence in the proposed budget for Mocimboa da Praia district that there is slack built into reconstruction expenditures that can be used to line the pockets of political allies."

"What we are facing is pure banditry driven by others' greed against a nation that is about to make the qualitative and quantitative leap", President Filipe Nyusi told parliament (AR) 16 December 2021 in his State of the Nation address. He rejected out of hand research and reports showing the importance of the grievances linked to growing poverty and inequality. And did not mention the greed of the oligarchs that had caused the war.

So there will be no change to the role of local and Maputo oligarchs whose greed drove young people in Cabo Delgado to rebel. And those same oligarchs will also control the more than \$2.5 bn promised in humanitarian aid and funding to rebuild Cabo Delgado.⁵¹ Oligarchs created and licensed by the World Bank, IMF and donors over three decades - and their foreign partners - continue to prosper. The war is profitable. For them, it is not a resource curse.

⁵¹ *Mozambique News Reports and Clippings* 603, 4 August 2022, In order to spend \$2.5 bn, donors accept government line of no grievance behind Cabo Delgado war. <https://bit.ly/Moz-603>