

## ■ OPINION

## Islamic attacks in Mozambique threaten regional stability

Solution has to be found urgently as insurgency may infect other countries and worsens SA's energy emergency

28 JUNE 2021 - 08:42 by CLAUDE DE BAISSAC



Mozambique's northernmost province of Cabo Delgado has since 2017 been home to a festering insurgency, linked to Islamic State. Picture: SUPPLIED

An Islamic insurgency is raging in the northernmost region of Mozambique, on SA's doorstep. The fast-degrading situation has weighty consequences for Southern Africa. It threatens regional stability, may infect other countries and worsens SA's energy emergency. These make the search for a solution at once complex and urgent.

In less than five years an apparently home-grown Islamist sect now affiliated with the Islamic State has evolved in Mozambique's province of Cabo Delgado. It has grown from little more than a mob of young men into a military force that brushes off Mozambican security forces, controls a de facto emirate with a capital, Mocímboa da Praia, and has spooked oil majors Total and Exxon into suspending natural gas projects that are central to the country's economic plans.

Total's decision came after the Islamist group, known alternatively as Al-Shebaab and the Ahl al-Sunnah wa al Jamma'ah (ASWJ), overran the city of Palma, looted it, and terrorised its inhabitants for 10 days before finally withdrawing. As things now stand, ASJW is unassailable. Mozambique cannot counter it, let alone reverse its ascent, without substantial international help. Its international partners might have to force Mozambique to save itself.

Mozambique's plight matters for regional and international security. The Islamic State already has established a toehold in the Democratic Republic of the Congo (DRC) in the form of the Islamic State Central African Province (Iscap), of which ASWJ is nominally a part. It might readily assume enormous proportions in the DRC and beyond given the chaotic and fragile state of much of central and east Africa.

However, there is no reason to believe SA itself somehow is immune, and that there is not a potential domestic security threat to SA citizens who may have joined the fight in Mozambique or have contacts with Islamic State.

The southwest Indian Ocean is part of increasingly contested space in which major military powers – China, France, India, and Russia – are asserting themselves. Russian mercenaries recently served in Mozambique, and the country has been raising its profile in the Red Sea and Indian Ocean while also reportedly meddling in Madagascar. India has secured basing rights in Mauritius and the Seychelles.

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**“ President Emmanuel Macron's visit underlines the region's growing importance in France's newly assertive Indo-Pacific policy ”**

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Much of the Mozambique Channel is French, centred on scattered islands that include Mayotte, a constituent part of France's national territory. The country is naturally concerned about protecting maritime security and its territories.

France, through oil and gas major Total, is becoming a leading energy producer from Namibia to Mozambique through SA. President Emmanuel Macron's visit underlines the region's growing importance in France's newly assertive Indo-Pacific policy, which is activated through increased military activity and close security co-operation with a new “Paris-Delhi-Canberra axis”.

Mozambique's security forces are out of their depth and inadequate — with no intelligence-gathering capability and a deserved reputation for human rights abuses. They require sustained security assistance from outside actors, on a larger scale than the training currently provided by Portuguese and US special forces.

Last week's much delayed agreement to deploy a Southern African Development Community (Sadc) standby force is the first step towards regional security co-operation. But the larger problem is political: the unwillingness of the governing elites to acknowledge the scale of the crisis — nearly 3,000 killed and more than 800,000 refugees — turn their attention to an appropriate security response and attend to the root causes of the conflict. An important lesson of past conflict zones is that absent political will, security assistance efforts tend to be in vain, or worsen the problem.

### **Optimal solution**

Mozambique's international partners have two choices: an optimal solution, and one that is far less satisfying and potentially dangerous for the country's long-term future. In both cases they would have to use their leverage in a co-ordinated combination of bilateral and multilateral efforts to force Mozambique's leaders to take seriously the danger to their countries and the need to effect reforms. While it would seem from afar that a sense of self-preservation should suffice, often elites in conflict states are loath to do anything that might diminish their own position. After all, they tend to be isolated from the miseries their people face.

The optimal solution would be a slow and largely by-the-book approach to rebuilding the security forces while rolling out whole-of-government measures — in co-ordination with aid organisations — designed to remedy various socioeconomic ills, foster development in Mozambique and otherwise defuse the conflicts that feed the insurgency.

The second would be a more focused security-centred approach intended initially to carve out around Palma the kind of security Total would require to resume work.

### **Embolden elite**

This second approach has a few practical advantages. Clearing and holding a perimeter militarily speaking may be a more attainable

objective for security forces that are as broken as Mozambique's. It would be a useful first step in the application of a classic "oil stain" approach to counterinsurgency, wherein one first secures a zone, then develops it and then builds outward. The resumption of natural gas production would breathe some air into Mozambique's fiscal lungs and thereby make possible development and reform projects.

The danger is that the revenue flow might serve to worsen the crisis. Just enough natural gas riches is likely to embolden the governing elite. Absent meaningful reforms, increased fiscal resources from Cabo Delgado may only intensify elite predation and abuses, as such programmes would be implemented through state channels that are corrupt, ineffective and part of a state presence that is tainted in the eyes of the local population.

The price of inaction is difficult to estimate given the lack of insight into ASJW's objectives or the nature of its connection with Islamic State, which as far as anyone knows goes no further than the latter's publication of ASJW attack videos on its web media.

The available evidence indicates that ASJW consists mostly of locals engaged in a local fight. But given ASJW's meteoric rise and qualitative edge over Mozambique's security forces, it is reasonable to assume the group's affiliation with the Islamic State will rapidly shift from nominal to material.

Having lost its "caliphate", the Islamic State's modus operandi now focuses on incorporating and expanding successful Islamic insurgencies elsewhere in the world. If this is allowed to occur in Mozambique, violence will spread much further than Cabo Delgado.

*• De Baissac is CEO of risk and resilience advisory firm Eunomix. This is the first article in a four-part series. The series has been produced by a team of expert associates from Eunomix, with deep experience in Mozambique, resource economics and fragility, supported by extensive data analysis and consultation.*

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**Alan Macleod** • 5 hours ago

Send in the combined force of the Zimbabwe navy and the SANDF... that should floor the Islamists..... rolling on the floor laughing their Rses off.

## ■ OPINION

## Mozambique matters to an SA gas market heading into deficit

The government might think it has control over SA's energy mix, but it will get harder to keep control in coming years

29 JUNE 2021 - 05:07 by DOUGLAS MASON



Picture: REUTERS/HEINZ-PETER BADER

If the recent call for an end to new oil and gas exploration by the International Energy Agency, long the most loyal friend of the oil industry, did not underscore that the world is changing, “Black Wednesday” made it inescapable.

On the same day that a court in The Hague ordered Shell to accelerate the shrinking of its carbon footprint, shareholder revolts imposed emissions targets at Chevron and placed climate activists on the board of Exxon. Then a Belgian court found that the country’s failure to meet emission reduction targets violated human rights. 2021, when the world will gather in Britain for a global climate summit, is shaping up to be the one that sets the end-date for fossil-fuel based energy.

SA likes to swim against the tide, and its government might think it has control over the country’s energy mix, but it will get harder to do so in the coming years. In addition to growing international pressure

from Western governments and activists, the country's fondness for carbon-intensive electricity faces a fast-moving and ever-more hostile investment and trade environment.

Coal and oil fuel an unsustainable 90% of electricity generation. The government has committed to reducing dependence on coal by half in 2030, but this is insufficient, and it will undoubtedly be forced to further reduce it sooner than planned.

Natural gas is one of the options as a medium-term option for the country's imperative, urgent and unavoidable transition to renewables. While growing pressure is being exerted on this fossil fuel, there will be a transition window for comparatively clean gas if government acts rapidly.

Mozambique's gas fields at Pande and Temane currently supply much of SA's demand through the 850km Republic of Mozambique Pipeline Company (Rompc) pipeline, its share of which Sasol has just sold. However, they are heading into long term decline, and Sasol's exploration in the Inhambane on and offshore areas has not turned up sufficient reserves.

SA will thus need new sources as the market enters deficit next year, and the transition away from coal and oil through gas requires a quantum leap in supply. The country's gas market is entering a period of significant and lasting change, with risks and opportunities.

Domestic gas exploration is delivering results, with Total leading the discovery of offshore reserves estimated at about 60-trillion cubic feet (TCF). This alone would fulfil half of current demand, solving the incoming deficit but falling well-short of future requirements. Again swimming against the tide, government is also taking a second look at shale gas as the world moves away from it. In addition, liquefied natural gas (LNG) imports can bring gas at a competitive price as the only alternative. At least two projects are currently in the offing: Transnet is looking at the investment case for a terminal at Richards Bay; and Total is involved in the Gigajoule terminal in Mozambique's capital, Maputo, which can supply SA through Rompc.

Critical policy and investment decisions are needed soon that will shape the local and regional gas market for decades and have huge implications on the economy. But mitigating against timely and sufficient domestic production are the two perennials of SA: infrastructure deficit and strategic policy dithering.

This makes what is happening in Mozambique of much greater importance than just its security crisis, which is already a considerable risk, as we highlighted in the first article in this series. The country will continue to feature prominently as a supplier for decades to come. Indeed, the reserves discovered in Mozambique's Cabo Delgado province, at 150-170 TCF, are simply too large to ignore – regionally and globally.

The three LNG projects under way involve oil and gas majors, including Exxon, Total, ENI, China National Petroleum Corporation, Japan's Mitsui and national companies from India, Thailand and Portugal. Each of the projects involves initial multi-billion dollar investments as well as follow-on expansions for a decades-long investment rollout of \$100bn (R1.3-trillion). Revenue estimates currently hover around \$500bn (R6.5-trillion). To put this in perspective, Mozambique's GDP was \$15bn (R220bn) and SA's was \$220bn (R3,15-trillion) in 2019. These reserves thus amount to over 30 times and 2.3 times the respective GDPs of Mozambique and SA.

Reserves of such magnitude, with more discoveries anticipated, will create a global energy player on par with Algeria and Nigeria on SA's doorstep. This will be a game-changer with profound economic and geopolitical implications for the region. Mozambique is thus a vast opportunity for SA. Its sophisticated private sector alone, already a key player in Mozambique, stands to greatly benefit through its expertise and product exports from the rise of a new economic powerhouse.

But none of this will come to pass if the grave security crisis is not resolved. Rapid escalation has forced Total to declare *force majeure* on its Cabo Delgado project. Exxon has delayed a final investment decision on its Rovuma LNG project. Though the ENI-led Coral offshore LNG project is insulated from most security concerns and is on track for production to begin by late 2022, it represents a mere 5% or so of Mozambique's reserves.

Unless it is prepared to sidestep natural gas entirely in its urgent energy transition, and unless it is willing to let an IS-affiliated Islamic insurgency take hold and expand under its nose with the grave implications this entails, Mozambique is now SA's – the region's "superpower" – problem ... and its opportunity.

• *Mason, a Mozambique analyst, is an associate of resilience advisory firm Eunomix. This is the second article in a four-part series. The*



*series has been produced by a team of expert associates from Eunomix, with deep experience in Mozambique, resource economics and fragility, supported by extensive data analysis and consultation.*

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**Greg Becker** • 3 hours ago

This region's superpower is corruption...

Given what happened in Mozambique over a few fishing vessels, I can only imagine what will happen to 30x GDP!

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■ OPINION

## What has gone wrong in Mozambique, and how can it get back on track?

Frank dialogue is needed between government, international partners and gas investors, and a starting point should be open access to facts about conditions in Cabo Delgado

30 JUNE 2021 - 05:05 by DOUGLAS MASON



A woman is comforted after a ship carrying more than 1,000 people fleeing an attack on the town of Palma by insurgents linked to Islamic State docks in Pemba, Mozambique. File photo: REUTERS/ERNIDIO JOZINE

French multinational Total's declaration of *force majeure* in northern Mozambique in the aftermath of the sacking of the gas project site and neighbouring town of Palma by Islamic insurgents, has underlined the failure of country risk strategies at the highest levels. Mozambique's incipient energy boom is now on hold, halted by an insurgent group that was unknown four years ago.

Previously a success story for post-conflict recovery from the mid-1990s with impressive rates of economic growth, poverty reduction and democratic development, the country has lost all its gains over less than a decade. A country once lauded for peace and reconciliation now features two active insurgencies, violent intimidation of civil society and legendary corruption by state agents

and the governing elite. Something had clearly gone amiss long before the insurgency.

Important inflection points fuelled Mozambique's downward trajectory. The governing Frelimo party's revanchist wing has been ascendant since 2004, undoing the peace-building that had been the basis for ending the civil war. Political and personal freedoms, economic governance and co-operation with Western donors have all been casualties.

Since 2016, Mozambique has been cut off from most development assistance after revelations that the government contracted sovereign loans worth \$2.7bn in secret to fund shadowy companies owned by the intelligence services, which ultimately precipitated a sovereign default. The International Monetary Fund (IMF) halted its lending programme in response, followed by Western bilateral donors with decades of qualitative in-country experience.

Mozambique could easily have recovered from this catastrophe the way it once did – through engagement with international donors. But Frelimo had lost interest. Bedazzled by the prospect of unimaginable wealth from gas, it calculated it need only wait out a few short years of austerity before a \$500bn energy bonanza delivered protection from any accountability indefinitely.

The aid embargo has not brought the government to the table, but has removed what was previously the main driver of transparency and accountability. The government has since let economic growth decline to near nil and debt explode from below 40% of GDP in 2010 to a forecast 120% in 2021.

When jihadists announced their presence in Cabo Delgado in October 2017 they were but a rag tag group of radicalised, excluded students. Three years of hapless governance and mindless repression turned an insurgency rooted in local grievance and rights into an Islamic State-affiliated organisation controlling the destiny of Mozambique, revealing the tragic gamble that was Frelimo's plan. It has failed, and with or without foreign military assistance, the situation can only worsen.

To get the country away from failed state status will require that the decline of economic and political governance, and the related issue of the domestic origins of the insurgency and its escalation, be addressed. Frelimo, opting for the rewards of illiberal rule, will not be

an easy partner, showing until now scant regard for either. But both party and government are running out of options.

Frelimo is consumed by infighting over spoils and factional manoeuvring to succeed President Filipe Nyusi, who is serving his final term. A party previously known for discipline and strategic choice has never been so directionless or so hostile to outside influence from long-standing allies in the regional and international community – the Southern African Development Community (Sadc) included.

Fiscal space is almost nonexistent; the government is struggling to pay salaries. Frelimo desperately wants the energy wealth. The government desperately needs it. But it cannot provide the minimum levels of security required for energy investment to continue. Economic crisis will inflict more pain, and with it greater political risks.

Self-interest should by now be making evident the need for international assistance to contain a situation its own misrule created. Local drivers and avenues for engagement still exist and must be pursued consistently. New ones will appear as the crisis worsens. A party with a five-decade long experience of adept international relations and the use of external assistance needs to return to that tradition.

Internal coalitions for reform involving moderates and technocrats as well as civil society in alliance with external donors, have been assembled by the party before, delivering the end of the civil war in 1992 and exit from the central planning failures of the 1980s. But realism is demanded of all sides. Frank dialogue is needed between government, international partners and gas investors about the true state of the country.

A starting point should be open access to facts about conditions in Cabo Delgado, which is desperately needed and can only be generated by opening the province to independent media, social researchers and humanitarian organisations. These are currently banned and harassed by the authorities.

Engagement, prompted by the extent of Mozambique's deterioration and backed by the offer of a donor's conference to fund recovery, will need to consider carrots and sticks – otherwise Frelimo risks opting for the path most destructive. The Group of Seven (G7) foreign

ministers' meeting in London in May indicated that new thinking may now be coming forward.

The gas majors also have a critical role to play. Eni, Exxon, Total and their partners have more than just capital sunk and revenues foregone at stake. International tolerance for energy companies is at an all-time low due to climate change. Funding illiberal governments carries enormous reputational, financial and criminal risk. They thus need to rethink the strategies that have until now be based on exclusive dialogue with the authorities.

Instead, they need to join with civil society and bilateral donors to create the conditions that can make their own investments viable and deliver Mozambique from a prolonged, worsening period of failure.

*• Mason, a Mozambique analyst, is a Eunomix associate. This is the third article in a four-part series. The series has been produced by a team of expert associates from Eunomix, with deep experience in Mozambique, resource economics and fragility, supported by extensive data analysis and consultation.*

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## ■ OPINION

## Mozambique's narrow, fraught path out of state collapse

Recovery requires initiatives that build security and developmental alliances rather than solely rely on party and government

30 JUNE 2021 - 19:30 by CLAUDE BAISSAC, DOUGLAS MASON AND JOHN RAPLEY

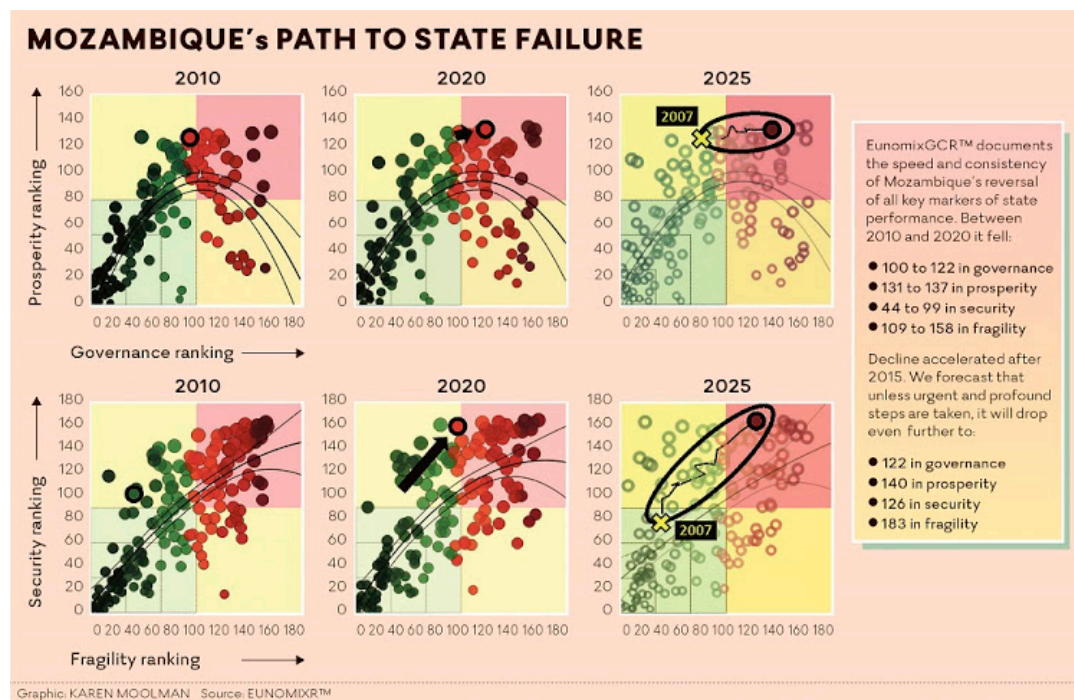


Refugees fleeing violence in northern Mozambique seek safety at a refugee camp in this file photo. Picture: SUPPLIED

A decade ago, Mozambique was a poster child for the African Renaissance. With economic growth in double digits and a reform-minded government, the country was already a strong performer when it discovered huge gas reserves. Energy majors began huge investments that promised to multiply the country's GDP several times over. Africa's own Qatar stood to arise on SA's doorstep, promising a regional economic bonanza.

Instead, Mozambique snatched defeat from the jaws of victory and is now fast approaching failed-state status. Islamist insurgents control northern Cabo Delgado province, the site of gas riches that stood to benefit the domestic and regional economies while solving their energy conundrums. Most of the projects are on hold. The

insurgency, now affiliated with the Islamic State, threatens to spill over. The governing elites having cornered themselves and their citizens in a position with few good options.



The graph above shows the scope and extent of decline measured by our global and country risk database, EunomixGCRTM. All markers of performance since 2010 are affected, but decline is especially pronounced in security and fragility. Remarkable is the country's shift from non-fragile in the mid-2000s to fragile now. With accelerated decline since 2016 we forecast rapid deterioration, high fragility and non-democracy by 2025. This would make Mozambique's fall one of the worst.

What started with misrule must be corrected through the end of misrule. Return to non-fragility can only originate from politics. This places Frelimo and the country's elites front and centre of resolution. Their goal should be obvious: bring a rapid end to the downslide, and then turn to sustainable development. Mozambique has one advantage: it did it before. Those who led the peace process of the 1990s are still around, the civil service carries "institutional" memory and civil society is far stronger now than then. Donors are more willing to support a country with a record of past success than a basket case. But deep obstacles stand in the way.

First, the 1990s and 2000s enabled resolution of regional conflicts – from Namibia to SA – and rapid economic growth. Now, the great powers compete, military tensions are rising, and economic instability is pronounced. The region no longer stands unified. SA has

lost confidence in its conflict resolution capacity, its own growth stunted, its focus inward. This reduces international and regional pressure.

Second, and by far most damning, is the transformation of Mozambique's developmental elites into anti-developmental rent-seekers. This is hardly surprising: the paradox has long been observed that resource wealth can hinder national development. The government of a resource-rich country can build the accoutrements of progress while skimming off the rents of resource exploitation. The country's per capita income goes up, but the wellbeing of most citizens does not as inequality explodes. The political elite becomes entrenched and unaccountable.

We demonstrated in a 2019 essay that "economic development almost perfectly correlates with human development for a staggering 90% of countries in the past two decades". The 10% exception? Oil-rich countries: they "do not need their people to generate wealth, which is produced in capital-intensive enclaves [...] Absent oil, durable development depends entirely on human capital". Governments must instead dedicate themselves to the long and arduous task of raising their people's productivity.

Mozambique is the latest victim of this resource curse — with one, extraordinary, difference: it happened before a single dollar of gas revenues was generated. Worse still, natural resource rents decreased from 13% of GDP in 2015 to 11% in 2019. Frelimo gambled on the mere prospect of gas riches — a unique example of a "pre-resource curse". The \$500bn question is whether the security threat and revenues on hold are incentive enough for a turnaround.

Afghanistan, Libya, Mali and Syria have shown that governing elites can insulate themselves from military defeat, economic crisis and unpopularity when protected from total collapse by geopolitical rent provided by donors and foreign powers. The international community, investors and the majors may either contribute to making the crisis worse or use their considerable leverage towards sustainable resolution. To do the latter they must resist piecemeal interventions, military and economic, that play into the elite's power calculus. There is no evidence that the Southern African Development Community intervention will avoid this pitfall.

The over-riding risk is that Frelimo, to secure funding, agrees to a budget rescue deal conditioned by a new commitment to



transparency and reform, but instead directs funding towards military repression and the maintenance of power. Engagement and support must therefore, imperatively, put the political economy front and centre. The structuring goal should be to realign, through carefully calibrated, progressive and reversible incentives and sanctions, the many interests that now stand far apart. Focus should be on initiatives that build security and developmental alliances rather than solely rely on party and government. Support should be directed towards progressive, tangible steps that transversally address the causes of conflict while delivering immediate shared benefits that do not undermine the elites.

We can think of a few such steps. One would be to attach support to setting up a sovereign wealth fund capitalised with gas revenues as insurance against the Dutch disease (the increase in the economic development of a specific sector and a decline in other sectors) and towards a post-gas economy. Another would be to reduce the insurgency's hold by delivering security, development and governance. A gas-producing special economic zone at the locus of crisis would at once unlock gas revenues and demonstrate the benefits of co-operation and accountability. Donors and majors would fund it on condition that their public investment is repaid through future gas revenues. Local success may then progressively spread. Independent, representative supervisory boards would ensure accountability. Most important, military assistance would be conditional on acceptance of these or other such steps.

It is far easier to wreck a country than build it back, even with determined political will and vast resources and support. Experience demonstrates, as we at Eunomix often observe, that there are no technical solutions to political problems. Only political solutions.

*• Baissac, Mason and Rapley are associates at resilience advisory firm Eunomix. This is the final article in a four-part series. The series has been produced by a team of expert associates from Eunomix, with deep experience in Mozambique, resource economics and fragility, supported by extensive data analysis and consultation*

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**Alan Macleod** • 10 hours ago

"The over-riding risk is that Frelimo, to secure funding, agrees to a budget rescue deal conditioned by a new commitment to transparency and reform, but instead directs funding towards military repression and the maintenance of power"

The story of post colonial Africa... dictatorships, military repression, murder, eliminate opponents, loot, corruption, infrastructure collapse, poverty and hunger, disease and unemployment.

Then out with the begging bowls trying to con the West for more free money so they can buy more guns, self enrich the elite... and the cycle just continues.