

# **Background paper for: Turning to natural resource extraction: A new opening for agriculture or continued neglect in Mozambique?**

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## **Abstract:**

In Mozambique a relative secure group of ruling elites has been at the apex of power sustained through the Frelimo party. Despite this and despite continued formal prioritising of agriculture the picture has been one of neglect to an extent that is quite unbelievable considering the rich endowment in water, land, people and historical importance of agriculture. This paper argues that in order to understand the systematic neglect we need to understand the extent to which the ruling elite confronted what resembled '*systemic vulnerability*' pressures as described by Doner et al. (2005). The ruling elite was after the general peace accord in 1992 confronted with an existential threat due to: the civil war; because it lacked control over much of the territory and population of the country; and because of electoral pressures after 1994. This forced the Frelimo coalition to centralize rent management and possibilities for free accumulation in order to undermine the support of the Renamo opposition and limit financing of opposition groups more broadly. The paper argues that agricultural production in general became one of the victims of securing and maintaining power in Mozambique by the Frelimo ruling coalition. Since 2004 nonetheless there has been a change in how power has been organized. As '*systemic vulnerability*' pressures largely have vanished and a simultaneous process of investments in extractive industries, as a result of shifts in the global political economy from the mid-2000s has opened the economy, the question is if agriculture now see a new dawn?

## **The Paradox of Agriculture: central to all policies and yet neglected**

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## **Evolution of the Political Settlement in Mozambique**

The Portuguese colonial government handed over power without elections to the Samora Machel lead Frelimo in 1975. The ruling coalition organized around the Frelimo party at that time can be characterized as a Potential Development Coalition. Frelimo largely continued the colonial mode of economic development focusing on extracting rents from strategic resources in transport, communications and ports, as well as support for large scale agricultural and industrial development. But the economic performance of the Frelimo ruling coalition was negatively affected by the strong resistance to the regime from neighbouring countries that financed Renamo to lead a destabilisation war that over time became a violent civil war.<sup>1</sup> This was compounded by the international economic crisis that hit Mozambique at the end of the 1970s, and by the economy development strategy and the lack of capabilities to carry it out. By 1979, the political settlement was threatened by a civil war and economic decline. The industry created by the

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<sup>1</sup> There is ample evidence that the opposition to Frelimo rule was initially setup and supported by the Rhodesian government and after 1980 had the backing of the South African government (Vines 1991). But the opposition also captured a whole range of local grievances after 1977 related to the Frelimo government (see Schafer 2001) where after the war came to resemble a civil war.

Portuguese was undermined by war and run down by the Frelimo government, due to the lack of manufacturing experience among Mozambicans who took over management after the exodus of the Portuguese. Moreover, after the move in 1977 to a planned economy run by a one-party state, the domestic productive capitalist class that potentially could have been groomed and developed to run business enterprises was jettisoned.

At the end of the civil war in 1992, Renamo emerged as a political organization with a substantial electoral success, and Frelimo was severely weakened, as it had only rudimentary control of territory and population and limited political support except in the donor community. The new political settlement that emerged resembled Vulnerable Authoritarianism, as the Joaquim Chissano faction leading the Frelimo ruling coalition pursued coercive means to keep Renamo out of power, including rigging elections, controlling and monopolizing economic opportunities, and imprisonment of Renamo members. The Frelimo party pursued a political survival strategy through donor aid, which provided resources for the important state bureaucracy and social services for the population, and returning to rent extraction from strategic resources in transport, communications and ports, *as well as* rehabilitating productive sectors that had a proven track record of success during the period of Portuguese colonial rule, typically using foreign investments. At the same time, the Frelimo ruling elites broadened the access of party factions within the ruling coalition to accumulation opportunities, in order to keep a large number of them within the party. The ruling political elite also mobilized the party's lower levels around the *de facto* state-party apparatus in order to win multiparty elections but lower levels had little holding power vis-à-vis the higher levels. A new business class emerged from within Frelimo ruling coalition after privatisation of non-strategic state enterprises, which started around 1985 and gained pace after the first Structural Adjustment package was adopted in 1987 and the peace accord in 1992, but this group was dependent on rents from land and property, as well as in the service and extractive sectors, and was not engaged in the productive sectors. Their development depended generally on foreign investments combined with state support.

By the mid-2000s, the political settlement had moved towards a Strong Dominant Party coalition. Frelimo's political survival strategy of controlling access to accumulation opportunities worked. Renamo weakened over time, as it was excluded from access to state resources and had no other means to maintain its capacity to mobilize political support. The Armando Guebuza faction dominating the Frelimo ruling coalition centralized rent management and opened up the economy for foreign investors to exploit the country's enormous natural resource endowment. The large influx of foreign direct investment in extractive industries and energy, together with steady inflows of donor aid and provision of state loans, increased the quantity of state resources and economic opportunities available for the Frelimo ruling elites to accumulate and, when challenged by urban riots in 2008 and 2010, to redistribute rent-seeking opportunities to key party elite faction members in order to maintain control over the ruling coalition.

### ***Post-independence period, 1975-1989***

Mozambique obtained independence in 1975 after a drawn out war between the Liberation Front of Mozambique (*Frente de Libertação de Moçambique*), Frelimo for short, and the Portuguese colonial government that began in 1964.<sup>2</sup> The configuration of political organizations at independence was

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<sup>2</sup> After the April 1974 *Carnation Revolution* and the overthrow of the Portuguese Estado Novo regime, Portugal and Frelimo negotiated Mozambique's independence, which came into effect in June 1975. At the third party congress in

essentially the result of the liberation war. There were no well organised African political organizations inside the country under Portuguese rule, apart from traditional authorities, which did not have a centralized political structure but were used by the colonial regime to govern local populations (Buur and Kyed 2006).<sup>3</sup> Three exile political organizations within Tanzania united as Frelimo in 1962 after pressure from the Tanzanian president Julius Nyerere, in order to fight the Portuguese colonial government. After 1960, the Portuguese colonial regime tried to create and mobilize an upcoming African middle class based on lower level jobs in the state and industry, and again immediately before independence to counter Frelimo's socialist agenda. The colonial government succeeded in creating a small privileged educated class, but not in using it as a bulwark against Frelimo influence. When Frelimo first came to power it came to rely on the upcoming middle class to run the state.

The Frelimo ruling coalition that came to power at independence was composed of ruling elites that had fought the liberation war. Frelimo was originally comprised of three regionally based nationalist organizations: the Mozambican African National Union, National Democratic Union of Mozambique, and the National African Union of Independent Mozambique, which merged into one broad based liberation movement under the leadership of Eduardo Mondlane. Each organisation had represented different ethnic groups and political tendencies, but most of the intelligentsia came from the south of the country, or had Asian-Goan and Portuguese roots. Many had allegiance to Marxism. Mondlane was murdered in 1968. Exploiting tensions between nationalist and Marxist factions of Frelimo, the killing was orchestrated by the colonial regime with internal Frelimo support. The leadership vacuum led to a struggle among Frelimo factions. The Marxist faction eventually gained control over the organization, and Samora Machel became the leader. The new dominant faction purged Frelimo of prominent members from the other factions. Thus at independence, the Frelimo ruling elites were quite cohesive and power within the organization was centralized. By 1977, with the creation of a one-party state, Frelimo formally became a Marxist-Leninist party.

Frelimo therefore faced no strong excluded political organizations, as all powerful groups were either within the party or their leaders executed in exile or immediately after independence. Subsequently, independence fighters took up the important positions of power in the party-state apparatus and military. The coalition's political legitimacy among the population was strong as the *dono do país* (owner of the country arising from Frelimo winning the independence war), but it had no strong lower-level support base in rural areas and its control over the population and territory was fragile (Sumich 2007).

Frelimo ruling elites therefore sought to build their political support base on urban workers and peasants. The former immediately received higher salaries and other privileges, becoming part of production councils and unionized. This provided them with ample space for advancement. The relationship with peasants, however, was fraught with contradictions. Due to its limited presence at the local level and its fragile political support base in rural areas, Frelimo tried to use the state and party apparatuses, to mobilise people often in quite coercive ways. The aim was both to connect with and educate the population and to transform and modernize traditional forms of allegiances, authority, and production. Forced village

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1977, the political organizations declared itself a Marxist-Leninist political party and its official name became the Frelimo Party (*Partido Frelimo*).

<sup>3</sup> The colonial regime operated an indirect rule system where traditional leaders were used for labour extraction, organisation of tax collection, local security provision and promotion of different types of out grower schemes.

settlements for rural populations, mass democratic organisations for youth, woman, teachers etc. was used to create a so-called New Society based on the New Man (Buur 2010).<sup>4</sup> For cadres, Frelimo used the relocation principle. Party and state officials were sent to areas of the country from which they did not hail in order to do away with ethnic moorings and allegiances. However, these strategies backfired. Local populations saw party cadres, including public servants (teachers, health officials), forced village settlement, and new organisational forms as 'foreign elements' which challenged local hierarchies based on age, gender or ethnicity. This political situation of generalised unease with Frelimo policies was one of the factors that allowed the destabilization war to turn into a civil war from the end of the 1970s, which divided the country and population.

The other factor involved the economic impacts of the policy direction chosen by Frelimo. During colonial rule, the Portuguese dominated the formal productive sectors, and South Asians controlled most of the formal merchant trade sector. Colonial policies actively discriminated against Africans, which exacerbated African entrepreneurs' limited ability to compete with the foreigners' economic networks and capabilities. Africans were limited to artisanal and micro-enterprises. The colonialists actively pursued industrialisation after 1960 so that Mozambique was the eighth most industrialized country in Sub-Saharan Africa at independence in 1975 (Torp 1979). The country's industrial base around the main cities was substantial and linked to the main transport corridors that connected through road, railways and ports the Mozambican coast to the interior of landlocked countries.

However, partly because they were pushed to leave by violence (see Newitt 2002), three hundred thousand managers and technicians in the state and productive sectors of Portuguese descent left the country after independence. Subsequently, the country lacked a domestic capitalist class with the experience to run the formal economy and industries developed under Portuguese rule. Therefore, Frelimo called all young people with any education to take up positions in the state apparatus and in the abandoned companies.

The turn to a socialist ideology affected future economic policies on how to deal with this manufacturing legacy. Although Frelimo did contain an ideological faction that maintained a principled stand on socialism (Hall and Young 1997; dos Santos 2011),<sup>5</sup> the party's turn to socialism was largely shaped by pragmatism. For during the cold war Frelimo received support from Russia and China for the liberation war against Portugal, which was part of the NATO alliance. Thus, Frelimo's alliance with the 'communist' countries in the Cold War setting made the turn to socialist ideology a logical choice. The party's subsequent approach emphasized state-led industrialization, particularly heavy industries in metallurgy, and industrialized agricultural estates to feed the expansion of the industrial sector, exports and urban populations.<sup>6</sup>

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<sup>4</sup> As part of this drive, traditional laws and traditional life was (legally) forbidden. Renamo, where it emerged as a force in some parts of the country, used the grievances of chiefs and traditional forms of authority to mobilise support. In other parts of the country, other grievances such as forced village settlement, and collective production were used to mobilise support for Renamo (see Geffray and Pedersen 1983; Schafer 2001).

<sup>5</sup> Numerous authors have argued that Frelimo never embraced Marxism (see for example Saul 1993; Bowen 2000; Robinson 2003; Ottaway 1988). Whatever is the case, Frelimo's flirt with Marxism had implications for party-state formation and for its perspectives on economic transformation through centralized industrialization and oppression of the peasantry.

<sup>6</sup> Ownership after independence, especially after 1977, is highly complex, as some companies became nationalized, while others only experienced state intervention, meaning that there was no legal transfer of assets. Former owners

Frelimo's economic policies backfired. Combined with the effects of the civil war, macro-economic stability collapsed, and state-controlled or nationalized industries incurred huge losses and were severely depleted. The key export sectors in cotton, sugar, sisal and tea, as well as the manufacturing industries producing for the urban populations, imploded. The attempt at centralising the economy, input and marketing services turned out to be an implementation nightmare (Pitcher 2002). It resulted in an increasing informalization of the economy from the late 1970s (Buur 2010), when informal trade, economic networks, and new public-private partnerships emerged rapidly. A similar collapse in the rural economy occurred. In the process of transforming the rural areas after independence, Frelimo severely alienated peasants, because economic policies led to a breakdown of marketing and input provision so that peasants were cut off from markets and income (Mosca 2011). Only in the southern part of the country, from where Frelimo's top leadership originated and where its policies had the biggest resonance, was some access provided to markets and production inputs through lower levels of the party-state apparatus, and the motivation of the Frelimo leadership to do this was clearly to build political support.

These economic and political conditions combined to create the context in which the destabilization war led to a civil war. The destabilization war was initiated by the government in Rhodesia after 1975, which mobilized and armed what became over time the National Resistance Army (*Resistência Nacional Moçambicana*), Renamo, fighters because Frelimo provided bases and supported the Zimbabwe African National Union's (ZANU) liberation war and implemented UN-approved, but never-before implemented, boycott resolutions against the Rhodesians. After a negotiated settlement to end the liberation war in Rhodesia and the emergence of majority rule in 1980 (in renamed Zimbabwe), support for Renamo was taken over by South Africa's apartheid regime. Over time, the impact of Frelimo's economic and state transformation policies increased resistance and provided Renamo with multiple local grievances to tap into. By the mid-1980s, Renamo controlled large parts of the northern and central parts of Mozambique. Only the deployment of Zambian, Tanzanian and Zimbabwean troops, backed with new Soviet tanks, fighter helicopters and MIGs, enabled Frelimo to stop the division of the country in 1986 along the Zambezi River. Renamo was initially forced on the retreat, but as soon as foreign support was withdrawn, Renamo returned and expanded its presence further south.

The Frelimo government led by Machel slowly started liberalizing the economy in 1986, as a result of the pressures of increased informalization of the economy and Western donors (mainly the Nordic countries, UK, and Holland) who wanted Mozambique to apply for support from International Financial Institutions, but the process was too slow in the face of declining financial assistance from the Eastern bloc of communist countries. Factions within Frelimo that had been silenced after independence re-emerged and an internal struggle ensued in the context of changes in the global political economy (Sumich 2008, 2010). After Machel died in an airplane crash in 1986 - instigated by the South African apartheid regime with support from key Frelimo top elite factions - ideological hardliner factions within Frelimo were side-lined in the name of the survival of the ruling coalition. Joaquim Chissano, who had been leader of the transitional government from 1974 to 1975 and later foreign minister, became the new president.

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therefore tried to reclaim the latter companies after 1990 when the new liberal multi-party constitution was approved.

Even though the ruling coalition was under severe external, as well as internal pressure, the Chissano led Frelimo government effectively implemented the first wave of structural adjustment reforms after 1987,. He could do so, because the different factions of the top ruling elite acknowledged that reforms were needed for the Frelimo ruling coalition to stay in power. The Chissano government also negotiated these reforms with important social and economic organizations in society that had gained in power during the civil war, such as religious groups, traditional authorities and trader groups. Most of the losses from state enterprises were mitigated by this first set of reforms and a major privatization drive in the 1990s (Pitcher 2002, 2012). Strategic enterprises were nonetheless maintained under state ownership and either redeveloped or sold off over time, as opportunities emerged.

In 1986 Chissano inherited a country almost torn into two. Frelimo and Renamo more or less effectively occupied different parts of the country, with the Frelimo government only controlling the main urban areas and immediate hinterland. The civil war was brought to an end in part because of geopolitical factors and in part because of internal dynamics. The breakup of the Soviet bloc and the end of the Cold War, combined with the release of Mandela in 1990 and the end of the South African apartheid regime in 1994, removed external interest in fuelling the conflict. At the same time, the war between Frelimo and Renamo was at a stalemate, and the country was suffering from a severe drought. As part of preparing for a future peace agreement, a new constitution was approved in 1990 formally doing away with the one-party state system and clearing the way for multiparty elections. A general peace accord was agreed in Rome in 1992, and the first multiparty elections held in 1994.

### ***Reconstruction and democratization (1990-2004)***

As part of the process of changing from a one-party state to multiparty democracy, Frelimo encountered severe problems regarding how to fund the military and the bureaucracy, whose members were loyal to Frelimo but whose privileged position was undermined by dwindling resources. As part of the constitutional changes that formally separated the party from the state, large parts of the cadre system at all levels were transferred to the largely donor-funded state apparatus. In this way, Frelimo secured the continued control over the state, as well as the loyalty of the bureaucracy, but its political base with peasants and workers no longer existed. Frelimo had alienated much of the peasantry, and the populations of Renamo-controlled areas had voluntarily or by force sided with Renamo or they fled to internal or external displacement centres run by international NGOs. Relations to workers in urban areas were increasingly becoming insecure by the decline of industries and infrastructure.

By the end of the civil war, Frelimo had therefore lost its ideological political base, as well as control over populations and land in much of the country. Frelimo also faced a Renamo that had grown in strength through civil war. Renamo's strength stemmed from its relations with the South African regime, but also from the population's general fatigue with the Frelimo regime. In the multiparty elections in 1994, Renamo received generous economic support from the Italian government as part of the General Peace Accord, while Frelimo generally had the support of the international donor community. Nevertheless, the threat of Frelimo losing elections to Renamo became real, even though Frelimo had the upper hand in designing the multiparty constitution and had secured a form of 'winner takes all' political system that gave the president the power to appoint province governors, district administrators and many others in political and administrative positions. Thus, the important thing was winning the presidency. It mattered less, except for

legitimacy and providing for the party's elite factions, how many seats in Parliament or votes at local level Renamo won.

The top down 'winner takes all' system is buttressed by a electoral system for parliament based on party-lists and proportional representation. Voters can vote for a party list, but not for any individual candidate on a list. In addition, each of the eleven constituencies, corresponding to the 10 provinces in the country and the city of Maputo send representatives to the national assembly in proportion to the number of registered voters. This system gives the power to the leaders of the parties, who control both who should be on the party lists as well as the order of party candidates on the list.

In the first post-war democratic elections in 1994, Frelimo's presidential candidate Joaquim Chissano took 53 per cent of the votes while his Renamo rival, Afonso Dhlakama, received around 33 per cent. Renamo won in half of the provinces in the central and northern regions, but due to the 'winner-takes-all' system, President Chissano appointed all the governors and administrators and kept Renamo elites out of any form of government office. This was repeated in the 1999 general elections, when Chissano again won the presidency, but with a very slim margin of 4 per cent over the Renamo coalition candidate.<sup>7</sup> There seems little doubt that the 1999 elections for both presidency and parliament were rigged, and there are strong indications that only voter count manipulations made Frelimo's Presidential candidate emerge, narrowly, as winner (Macuane et al 2012). Whereas Renamo's success at the first elections in 1994 came as a surprise and could be explained away as voters' fear for voting at Frelimo in areas controlled by Renamo, the continued success of Renamo in the 1999 elections, even though its party organisation and access to resources was weakening and Renamo's electoral campaign was first put together in the last minute, indicated frail political support for Frelimo among the population.

The political settlement resembled Vulnerable Authoritarianism, despite being in a formally democratic political framework, as the Frelimo government used legal and illegal means to stifle political competition and to keep Renamo out of political positions of power. For in addition to rigging the elections, the government imprisoned lower level members of Renamo after the 1999 elections (Birkelund 2005), and it asserted sufficient control over patronage and state generated rents to starve Renamo's political elites of resources.

Despite of this, by the mid-1990s Frelimo faced a situation of 'systemic vulnerability'.<sup>8</sup> Frelimo perceived an existential threat to the country, given the fact that it during the destabilisation war was almost split in two parts during the civil war. As it became a civil war and Renamo inserted itself nation-wide, Frelimo ruling elites lacked control over much of the country and had very weak political legitimacy and support base. Lastly, ruling elites faced resource scarcity and hard budget constraints. The government needed financial support from the World Bank and the IMF as well as increased aid from some donors to avoid economic collapse, but aid was only given in exchange for reforms to liberalize and privatize the economy.. Nevertheless, this aid increased economic opportunities for key factions of the Frelimo coalition particularly the important state apparatus, while the rest of the population benefitted from the aid-driven reconstruction of targeted infrastructure and social services, including water, schools and health. In this way aid was used to link local communities with the central state and the party. Moreover, the 'sons and

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<sup>7</sup> Renamo had for these elections formed an Electoral Union with several minor parties.

<sup>8</sup> For a discussion of the concept of systemic vulnerability, see Chapter 4.

daughters of the land,' who had received education in the party 'brigades'<sup>9</sup> systematically benefitted from this aid. Thus, state bureaucrats and public servants, as well as businessmen as they emerged over time became an important intermediary class for the ruling party coalition..

Redistributing state resources mostly obtained from aid through patron-client relations could not be done on the scale required to build a political machine. Aid money was only sufficient to keep the bureaucracy going and provide immediate social services. The perceived systemic vulnerability, thus, compelled the Frelimo ruling elite faction led by Chissano to pursue the coalition's political survival by seeking to revive the productive sectors that had faltered after independence. The Chissano-led Frelimo elites sought to win political support and legitimacy through developing productive sectors that could offer jobs and help provide more social services and infrastructure in the rural areas than was possible through aid money. But it was important for the Chissano-faction that the process could be controlled by Frelimo and would benefit its key constituencies in the south plus people in those parts of the country that were Renamo-strongholds (mostly the northern and central parts of the country) – provided that this support would not benefit Renamo political elites . Therefore the rehabilitation of selected productive sectors was generally done through foreign direct investments. It looked for firms with technological and economic capabilities willing to take the risks of investing in a war torn country, and these were few. Hardly any Mozambican capitalists had those qualities, so investors were foreign companies or joint ventures.

Plans to develop particular productive sectors drew on the historical experience of what had worked during Portuguese colonial rule, as well as the need to accommodate the new financiers of the state – the donor community particularly International Financial Institutions – that feared the return of the socialist state project. That meant that productive sectors that were rehabilitated were generally export-driven, as access to foreign capital was expedient for macro-economic stability. They, as mentioned, involved foreign investments with technological capabilities and did not require expanding state bureaucracy as service provision and inputs would be catered for by the investors. The key sectors promoted after the General Peace Accord included sugar, cashew, fisheries, cotton and, later, tobacco, which to various degrees fitted the three criteria.

While productive sectors were considered important to win political legitimacy and thus votes at election time, the Frelimo ruling elites also used patronage to consolidate the party's ruling coalition. They developed and promoted lower level factions based in the party-state apparatus around senior leaders from the independence war. These officials were placed in party and state positions in their local areas, especially in the populous northern regions, as a way to shore up political support. They were allowed to benefit from rent opportunities in their areas, usually in mining, timber, and transport, or to take advantage of other opportunities granted through the state for personal accumulation such as the privatization of state entities or land or property rights. In exchange for being granted economic opportunities, they were expected to mobilise party cadres and fund the party. Different trade-houses, usually of 'Indian' origin engaged in import and export opportunities, also funded the party machinery as

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<sup>9</sup> Following the General Peace Accord of 1992 Frelimo had continued to use – as it had done since before independence - 'campaigns' and 'brigades' for purposes of political mobilization (Buur 2010). The brigades included not only historic personalities and authorities within the party but also, over time, they also included doctors, academics, journalists, central administration personnel and businessmen.



well as members of the leadership.<sup>10</sup> Trade houses operating with tax and import exceptions and breaking all state regulations for the importation of perishable goods were allowed to operate with impunity, undermining for example, the creation of a national poultry sector (see Buur et al. 2012).

Formally land is owned by the state in Mozambique, but in practice there are several competing processing governing land ownership and access. Municipal and Community Councils are supposed to administer land on behalf of communities (which holds common ownership), and thus grant user rights of land. Traditional authorities also govern communal land, as their informal administration that re-emerged during the civil war was formalized in a 2001 decree that gave administrative rights over land (Buur and Kyed 2010). The state can also directly lease land up to fifty years, with respect to any land. Thus, the same land is being administered under multiple systems, creating intense conflicts. Furthermore, top Frelimo elites have personally, through the state approval system, secured the formal user right to all productive land in the country, often without the knowledge of local communities and state agencies. Land grabbing in Mozambique is therefore primarily based on elite grabbing of huge pieces of land. The model is to extract rents from external investors as holders of rights. The elite are awaiting foreign investors to whom they can sell the land user rights and thus extract land rents (see Hanlon and Smart 2008).

The process of economic reforms allowed for primitive accumulation that led to the emergence of a domestic capitalist class. Before and after the General Peace Accord, privatization and other government policies were used as a means both to maintain a strong state presence in the economy (Pitcher 2002) and to transfer rent opportunities, which allowed for some accumulation of private wealth by members of the Frelimo ruling elite (Hanlon 1996; Hanlon and Smart 2008). Out of the roughly 1248 state owned or state intervened enterprises that existed by mid-1980, 800 of the smallest was sold off during the first phase of privatisation (Pitcher 2002; 2012). The state nonetheless still maintained a strong presence in strategic sectors such as water, energy, sugar, telecommunication, port, rail and air transport, which generally has become relatively successful enterprises.<sup>11</sup> But the state owned by 2005 at least 48 larger enterprises (Pitcher 2012: 51) many of which are either defunct and/or lose giving. Public enterprises therefore continues to be important for financing the political settlement even after privatisation, but informally by providing top managerial positions to key Frelimo coalition members in contrast to former focus on both labour, mid-level as well as the top-level management.

Out of these processes, an embryonic business group slowly emerged during the Chissano era, and it came to form a key faction of the ruling coalition. But it is generally a business group, which economic opportunities have emerged in and around the state and focused on the transfer of land and property rights, access to trade (often based on special tax or duty regulation) and service opportunities for example in the banking sector, and rights and quotas to exploit natural resources via concessions or quotas. Consequently, the emerging domestic capitalist class and its income were based not on production, but on

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<sup>10</sup> Indian is here used as a catch-all identify for Goa, India and Pakistan.

<sup>11</sup> In general there are still a variety of state-owned enterprises that compete with the private sector such as the state-owned companies: *Telecomunicações de Mocambique* (TDM), *Aeroportos de Mocambique* (ADM), *Electricidade de Mocambique* (EDM) and *Portos e Caminhos de Ferro de Mocambique* (CFM). They generally have a monopoly in their respective industries (telecommunication networks, landline telephones, airports, electricity, and railways.) and they usually benefit from different types of state subsidies. More recently has Cahorra Bassa been added as a new type of parastatal as the Mozambican state is in the process of buying out the Portuguese state.

the rents of the service and extractive sectors. One implication of this pattern of primitive accumulation was to make the economy heavily dependent on external capital inflows from foreign direct investment, which could be controlled so it did not spill over into financing Renamo.

Despite officially promoting decentralized rent management in order to consolidate the ruling coalition, Frelimo maintained tight control of access to state resources through its party-state apparatus. Renamo elites had very limited and most often no access to state resources. Starved of funds and with limited organisational capabilities, they could not build up a visible political organization. In some parts of the country, Renamo used ethnicity, religion and traditional authorities for mobilisation. However, the Frelimo state slowly began to undermine these sources for political mobilization. For example, the 2001 decree mentioned above formalised traditional authorities as a type of lower state assistances, with some opportunities for economic benefits if supportive of Frelimo (Buur and Kyed 2006).

Thus, we see a move towards a strong Dominant Party coalition as Renamo's organizational and economic power decline substantially. At the same time, during the Chissano era, factions within Frelimo grew both in numbers and in strength. This increased demand for access to state-managed or controlled rent opportunities (including aid-driven state resources), and strengthened resistance against changes to the distribution of rents. Consequently, rents were spread widely within the ruling coalition, while the need for rents increased. Importantly, despite the tight control exercised by the party the Chissano faction's leadership of the ruling elites was resulted in more of a balance of power on a knife-edge (Macuane et al 2012), than one of domination, which characterised the later reign of Guebuza after 2005.

Attempts to generate large amounts of rents over a short period of time led to growth-reducing policies, as the Mozambican parastatals illustrate. The parastatals represent a considerable part of the public investment volume and thus, of the national demand for goods and services. Yet, despite their size and privileged market position as de facto monopolies, they have limited profitability, as returns of taxes from profits to the state coffers are marginal. Between 2006 and 2010, the state enterprises and those in which the state is a shareholder contributed only an annual average of 4.5 % to the state's revenue ('revenue from capital'), less than one fourth of the contribution of corporate income tax (Ossemame 2011). The most important revenue sources are VAT and import duties, which together constitute over 50 per cent of total revenue (Macuane et al 2012).<sup>12</sup>

#### ***Towards a Strong Dominant Party after 2004***

Frelimo managed to consolidate its victories in the 2004 and 2009 elections after Guebuza took charge of the party in 2002 and of the state apparatus after 2004. There have been three reasons for this success. The turnaround in elections was first of all due to reorganizing the party's links to the state and making sure that hostile populations did not vote. Key election posters were made in iron and not removed after elections, for example, to clearly signal an emerging sense of invincibility. Frelimo had always had a high degree of institutionalization and organization but this was further centralized under Guebuza. The party has a high degree of internal organization, with 269,975 party branches or cells in villages, workplaces and

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<sup>12</sup> Between 2006 and 2010, the state enterprises and those in which the state is a shareholder contributed only an annual average of 4.5 % to the state's revenue ('revenue from capital'), less than one fourth of the contribution of corporate income tax (Ossemame 2011).

residential areas up from 91,175 branches in 2006.<sup>13</sup> Membership in Frelimo also grew from an estimated 300,000 to 1.6 million in 2004, and to more than 3.5 million by 2012 (Macuane 2012). With a low voter turnout but high Frelimo party member voter participation, the party won with increasing margins after 2004.

Moreover, Renamo was no longer a threat, because Frelimo had gained enough political legitimacy among the population through some successful productive sector initiatives and foreign aid financed social services, and the ruling coalition had expanded and consolidated to provide an adequate political support base to win elections and gain control of the national territory. As a result, the situation of systemic vulnerability diminished. Lastly, the situation of scarce resources began to change. Debt relief – part of the Heavily Indebted Poor Countries (HIPC) initiative – combined with increasing foreign aid and budget support created economic room for manoeuvre.

However, access to aid rents has continued to be crucial for the survival of the ruling coalition under Guebuza. It has helped to fund the state and allowed the regime to deliver tangible results in the form of transport, health and education infrastructure, as well as access to social services for the population. Together with the transfer of funds to Frelimo supporters after 2006 (cloaked as district investment funds), the aid-bolstered state budget formed part of election strategies first to win over rural constituencies and later, as riots hit urban areas after 2008 and 2010 due to increased food and fuel prices, to bolster party support through food and transport subsidies (Macuane et al 2012; Forquilha and Orre 2012).

One of the main reasons for the rush to exploit Mozambique's rich natural resources since the mid-2000s are changes in the global economy during the 2000s, which made it highly profitable for foreign companies to develop Mozambique's natural resources. But the Guebuza administration's recentralization of rent control has been equally important. Through the recentralization of rents, and because of it, the Guebuza faction within Frelimo was able to concentrate state and economic power in itself and thus dominate over the other elite factions. Now the Guebuza's family constitutes the core of this elite faction and the resource extraction-oriented economy is linked to this faction and their investment houses.<sup>14</sup> They hold, for example, rights of exploration for specific mineral deposits, which are sold off to foreign investors. Access to company share for these elites are also typically part of such arrangements. These negotiations have generally been clouded in secrecy, with limited state knowledge and parliamentary participation and oversight (Pereira 2012; Comiche 2012).

It is the first time in Mozambique that the centralization and concentration of the party and the economy has taken place in and around one person, Guebuza. As a result, loyalty has drifted from the party and its control over the state towards the president, his control over the party-state, and his business setup (see Macuane et al. 2012). After the 2008 and 2010 urban riots, which sent shockwaves through the system, Guebuza redistributed rent opportunities to high-level party coalition members and their investment facilities by to broaden the coalition. It has been argued that a new productive elite is being created in this process (Hanlon and Mosse 2010), but only history will show if this will indeed become the case. So far

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<sup>13</sup> Club of Mozambique November 1, 2012.

<sup>14</sup> All the key Frelimo families such as Machel, Guebuza, and Chissano established investment houses, where shares in key strategic investments can be placed by investors usually for free. Today the transfer of such share-ship is largely controlled by the Guebuza family and their strategic investment facilities.

there have been few signs that accumulation is used by ruling elites to invest in productive sectors and economic transformation

As the situation of systemic vulnerability vanished the existential threat to the country has disappeared. There may exist a latent internal threat of mass unrest but it is unlikely to be so intense that it can challenge the ruling coalition in any substantial manner - especially compared to the situation in many Asian countries where it stemmed partly from high population density and widespread landlessness, exacerbating the need for employment and the motivation for rioting to pressure for change. In contrast, Mozambique has a particularly low population density and no strong pressure on land except for areas around the capital of Maputo and Nampula. With a state and party setup that can increasingly distribute tangible benefits and subsidised consumables to supporters when needed, the system seems relatively stable.

Thus, there seems to be few incentives for Frelimo ruling elites to look to the productive sectors as a strategy for political survival. And although the period of primitive accumulation has led to the formation of a domestic capitalist class, that class still has low technological capabilities and is not close to being competitive in natural resource related investments. As the party encounters no immediate threats, ruling elites are not compelled to create and enforce learning rents, which would in turn compel domestic entrepreneurs to invest in learning. Foreign-dominated productive sectors like sugar and tobacco do invest in learning and technological upgrading, thereby moving these sectors into added value production that can be exported. The same happened for a traditional sector like cashews, but based on a lower technological starting point, and financed partly by donors. Newer investments in productive sectors are picking up on traditional sectors like cotton and rice or are dominated by foreign companies, sometimes with local partners aligned to the ruling coalition earning rent.

With the shifts in the global economy and the recent multidimensional investment drive in natural resources, the prospect for developing productive sectors more broadly could be enhanced. The new extractive development economy that is emerging will be at a scale far exceeding anything experienced so far. With the economy at present controlled by the President and Frelimo-aligned elites with interests in all extractive industry opportunities, the need to control the economy in the same manner as before seems less important and probably will also be impossible due to the sheer size of the new extractive economy.

This could offer new opportunities for an agricultural based agro-processing and manufacturing industry. This requires that the party and state loosen its grip over agriculture-based production and processing which so far has held it back.<sup>15</sup> Allowing agriculture-based accumulation would be a way to weaken the population's current resistance to the top Frelimo elite's accumulation and rent management, as they too will benefit. In other words a simple way of creating legitimacy for continued control of the Frelimo organised ruling coalition. If this more broad based type of economic development with elite accumulation

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<sup>15</sup> A range of larger agro-based programs with mixed state, donor and mainly private foreign capital are in the process of being setup in the Beira and Nampula transport corridors in an attempt at linking agricultural production to the new extractive investments and/or use new (or expected) access to transport and communication to broaden investment patterns. To what extent the new programs will be able to broaden who the investors are and actively including Mozambican investors with appropriate support and incentives for learning are not known yet. It is also unclear how the large scale elite grapping of land will be approached as the extraction of rent can block for investments as they have done before.

happens or we only will see a continued process of exclusive elite accumulation - is too early to say with certainty. The bottom line for Mozambique is that the conditions for political stability are today much better now than in the past, and that this will enhance the prospects for future economic growth. What form this growth will take, and in which sectors, is very difficult to say anything meaningful about yet.

In sum, in Mozambique a group of Frelimo party ruling elites at the apex of power has emerged and is now consolidating itself. Despite Frelimo having different factions, it is characteristic that only one faction has led the party at any given time. Threats to Frelimo's political survival at critical moments led to changes in the leading faction. With the first two ruling factions, at independence with Mondlane and then Machel, leadership was achieved by force, during a period of violent mobilization first for liberation and then in a regional-cum-civil war. The Chissano faction did not lead by force, but rather through balancing power among competing factions - often at a knife-edge. The Guebuza faction has been able to lead as a result of its greater holding power because it is the first time in the history of the Frelimo political organization that party, state and economic power has been concentrated in one faction. Thus, power was never that fragmented in Mozambique and ruling elites at the top of Frelimo have been quite cohesive. The lower level factions have never been very strong and as Frelimo through control of the electoral process and redistribution of aid rents have managed to win with increased margins the situation has stabilised.

Frelimo has managed to control the state and - through the state - to centralize rent management so that hardly any independent accumulation can take place outside its purview, be it legal or extra-legal. In this way, possible opposition parties or forces have been cut off from access to resources in any sustainable and consistent manner. This had the further implication that the different groups in the ruling party elite, including members at all levels of the state apparatus and emerging economic elite, owe their position to party unity and the continued power of the party.

## **Implications for agriculture**

TBF

## **Conclusion**

TBF

## **Literature**