

## ***A. Foundational factors***

Territorial, sociological, political, administrative and economic aspects of a structural nature are the object of analysis in this section. Changing slowly over time, these factors form the bedrock of the Mozambican political economy and circumscribe the constitutive conditions under which the dominant Frelimo (*Frente da Libertação de Moçambique*/Mozambique Liberation Front) party, itself a truly foundational party, and its elites attempt to negotiate, contest and consolidate power over people, territory and the economy through political settlements, both horizontally – with contenders at national and regional level – and vertically with local elites. The section ends with a discussion of the relationship between politics, the state and the economy from the perspective of decentralisation. Diverse studies on the political economy of Mozambique, notably Weimer et al. (2012) and ECORYS (2008), serve as primary analytical sources, together with interviews. Special attention is given to the foundational factors regarding land and communities. Other factors (e.g. borders, resource endowments, culture, religion) are neglected.

### **1 Territory and Land**

#### **1.1 Territorial Division**

Mozambique is situated in south-eastern Africa on the Indian Ocean, along the Mozambique Channel which separates it from Madagascar, between 10° 27' S and 26° 52' S and 30° 12' E and 40° 51' E.<sup>15</sup> According to the 2007 census,<sup>16</sup> it has an area of 799 390 km<sup>2</sup> with a population of 20 366 795 inhabitants (51.7% female; average population density of 25 persons/km<sup>2</sup>). About 45% of the population is younger than 18 years of age. Population growth is 2.4% p.a. The cultural diversity is reflected in the more than 16 local languages in use besides the official language of Portuguese.

Maputo, the capital, has 1.1 million inhabitants (2007) and is situated in the extreme south of the country. Together with the adjacent industrial town of Matola (approx. 675 000 inhabitants in 2007), Maputo Province, together constituting the Greater Maputo Area, accommodates around one-tenth of the country's population. This urban agglomeration is the central hub of the Mozambican economy.<sup>17</sup>

In terms of administrative-territorial division, during most of its postcolonial period the country has been divided into 10 provinces, 128 districts and 23 urban centres, including the provincial and national capitals. The country's territorial division is, to a considerable extent, based on the colonial zoning of Portugal's 'overseas territory'

15 The basic data are taken from <http://www.ine.gov.mz/Ingles/>.

16 Updated census data will only become available in 2018.

17 Data for 2006–2014 provided by the Mozambican Tax Authority (ATM).

Mozambique, effected in 1958,<sup>18</sup> later confirmed by the independence constitution of 1995, and in principle reaffirmed by the constitution of 2005. The latter's Article 7 states that Mozambique is organised in provinces, districts, administrative posts, localities and *povoações* (major rural settlements/townships).

Following initiation of the decentralisation legislation in 1994, 53 municipalities exist at present.<sup>19</sup> In 2013, the number of districts was increased from 128 to 152.<sup>20</sup> Ten of them coincide with the territory of 10 provincial capitals (except Maputo) and another 12 resulted from the subdivision of some existing large districts, respectively, respectively the elevation of administrative posts to the status of district, notably in Nampula, Zambézia, Tete and Manica provinces. The districts are subdivided into administrative posts, which in turn are subdivided into localities consisting of settlements (*povoados*), i.e. villages, hamlets and even *bairros* (wards in towns and cities). The unit of *povoação*, i.e. a larger settlement in the sense of a (rural) township, which by force of Law 2/1997 is eligible for the status of an autonomous *autarquia* (municipality) is, although constitutionally enshrined, ill defined in terms of territorial hierarchy and neglected in the 2007 census. As a unit comprising several *povoados*, it is deemed to be 'situated' between the locality (*localidade*) and village/hamlet (*povoado*). Table 3 gives an overview of the administrative units.

Table 3: Subprovincial administrative units

Administrative Unit	No.	Average (per superior unit)
District ( <i>Distrito</i> )	151	
Administrative Post ( <i>Posto Administrativo</i> )	436	2.8 Administrative Posts/Districts
Locality ( <i>Localidade</i> )	1 217	2.8 Localities/Administrative Posts
Major rural settlement/township ( <i>Povoação</i> )	7 928	
Minor rural settlement/village, hamlet ( <i>Povoado</i> )		

Source: compiled by authors

One of the neglected foundational factors in the public debate of decentralisation is the fact that the geographical units of the existing administrative-territorial system have no defined geographical boundaries, i.e. they are not demarcated. Thus, the territorial boundaries of major and minor settlements (*povoações*, *povoados*), localities, administrative posts, districts and municipalities have no clear and known geographical

<sup>18</sup> At the time there existed 10 districts (today provinces), subdivided into 62 *Conselhos*, 46 *Circunscrições* and 175 *Postos (administrativos)* (administrative posts).

<sup>19</sup> Initially 33 to which were added a further 10 each in 2008 and 2013.

<sup>20</sup> Laws 26, 27 and 28/2013.

boundaries, a few exceptions notwithstanding. This not only leads to contestations in municipal elections about non-eligible voters in areas adjacent to municipalities (who have no voting right), or to conflicts about land and revenue resources. The absence of defined boundaries of the administrative-territorial units also implies the absence of a notion of formal authority, responsibility or custodianship over those areas, an inhibiting factor for effective local government and accountability. A peasant in a certain locality would often not know who their *Chefe de Posto* or Administrator is, except in cases of land conflicts. Exceptions are communities and their 'traditional' leaders who often know with some precision what their land and territory entails in terms of boundaries, resources and history, including the circumstances of its occupation, contestations and changes (Galli, 2003). Often local settlements carry the name of the historically dominant family and their leaders.

## 1.2 Land

The absence of valorisation and taxation of land in Mozambique is one of the most conspicuous foundational features of Mozambique's political economy. It is moulded in a colonial economic model of accumulation based on the extraction of resources and labour, and associated with the rent-seeking behaviour of those elites who dominated it at various times and historical constellations over the past centuries (Castel-Branco, 2010).

From the point of view of Ricardian economic theory, all production factors (capital, labour, land) have a price on the market where they are transacted in a developmental process, i.e. interest in the case of capital, wage in the case of labour and ground rent<sup>21</sup> in the case of land. These 'returns' for the use of production factors provide the state, when taxed, with a broad tax base. However, the Mozambican state, although constitutionally and legally the 'owner' and custodian of the land, does not derive much benefit from the value and use of the land in its different forms. Neither does the local community, affected by large-scale use of land in commercial agriculture or forestry projects, have tangible benefits in the sense of land rents or other forms of land-based income. One exception is communities' legal entitlement to 20% of royalties in the case of timber logging. Another example is the Gorongosa National Park buffer zone where the populations receive 20% of the park's profit.

In the case of municipalities, they collect fees through issuing the licence of *Direito de Uso e Aproveitamento da Terra* (DUAT) or land-use title deed, but this source of revenue is exhausted when all the municipal land has been attributed. The annual

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21 The term 'land' or 'ground rent' assumes a distinction between the 'use value' of land (e.g. to produce food or construct houses, i.e. land as a production factor) on the one hand, and the commercial value, beyond the productive value, that is attributed to land on (formal or informal) markets, including those of land speculation. This commercial value is the result of demand, localisation of that land in relation to (urban) infrastructure and the quality of that land (fertility, quality of soils and subsoils, etc.) and projected economic expectations, e.g. by 'hedge funds'. This value may be higher than the use value, opening opportunities of rent seeking and speculation (see Hubacek & van den Bergh, 2002).

*foral* or *foro*, a type of annual land-use fee due for land not being productively utilised (e.g. in construction, agricultural production), is most often not collected. The annual US\$1 million fee collected by the state's cadastral services for issuing the DUAT is ridiculously low, corresponding to the expenditure of the National Directorate of Land and Forests (*Direcção Nacional de Terras e Florestas*, or DNTF) (DFID, 2013). Again, the collection of the annual *foral* is neglected.

Benefits accrue, however, to those, often representatives of the state, who acquire, often on a large scale, the land-use titles at low licence fees, and 'sell' them to (foreign) investors or use them as collateral for joint business ventures. The enormous difference between the actual use value of the land and the commercial or speculative value is not subject to taxation and represents a major source of rent for members of local and national elites.

According to economics professor Mosca, chairperson of the *Observatório do Meio Rural* the state as the legal owner of the land, has, paradoxically, never fully assumed that constitutional ownership over the most important public asset for socioeconomic development and a source of revenue, especially at local government level.<sup>22</sup>

Land is a finite resource, whereas the proceeds of its use in (sustainable) agriculture, forestry, etc. are not if it is properly managed. In Mozambique, out of a total of 80 million hectares (ha), 36 million ha are arable land, of which 15% is cultivated. Most of the cultivated land is held under customary norms or good-faith occupation by communities. Only 13 million ha (16% of the land mass of the country) have been delimited as land where some 600 communities, or 10% of the estimated total number of communities, fully claim their rights. Apart from this area, the use rights (DUATs) of about 16 million ha (20% of the surface of the country) have been awarded to a total of less than 50 000 rights holders, representing less than 2% of the total rights holders in the country. Many of them are part of the political elite. The DNTF (2011, 2014) estimates that about 29% of land requested and awarded for agriculture and 23% of grazing land is unused. Worth noting is the stark difference between small and medium holdings or plots (averaging 1.4 ha/holding), mostly under customary tenure, on the one hand, and medium- to large-size holdings (averaging 320 ha/holding), on the other, which are subject to formal authorisation by provincial and/or national governments (INE, 2011). A recent study on the political economy of land management shows that land management has increasingly been centralised during the past decade (DFID, 2013).

The foundational characteristics of the land occupation structure include the low rate of change over time, even when there is land available to clear and use. This is mostly the result of political and sociocultural intra- and intercommunity arrangements (Brück & Schindler, 2009), as well as a trend to concentrate land use around rural

22 Interview, 25/07/2013.

towns and markets, as well as transport and communication infrastructure, rather than expanding to generously available but poorly serviced and inaccessible land. This leads to rural–urban migration, overuse of urban and peri-urban land areas, sporadic and poorly serviced (peri-urban) settlements and the emergence of slums, associated with what Marx called an urban *lumpenproletariat* that seeks residual employment and income, mostly in the informal economy. The migration-related high rates of urban poverty and the lack of technical capacity, instruments and resources for urbanisation and systematic land-use planning, particularly in municipalities, are major challenges for both local and central government.

While in some areas of low population density land conflicts do not pose a notable strain on land governance institutions, in other more densely populated areas the potential for conflict is high and demand for formal recognition of land-use rights is on the rise. As the conflict potential grows, there is a noticeable trend to protect the ‘local’ interested parties – the *filhos da terra* (children of the land) as opposed to those ‘coming from outside’ (*vientes*). This distinction in the political economy of ethnicity associated with land and local governance (Chichava, 2008) has the potential to exacerbate local conflicts by promoting the idea of ‘ethnic citizenship’ or ethnic entitlement to land rights, in a unitary state with an established authority concerning land management and equal rights to land and its use for all citizens under the constitution. The reference to first-, second- and third-class Mozambicans in the political discourse and media aligned to the established power elites during the past few years thrives on that notion of ethnic citizenship. And the distinction between the ‘authentic’ and the ‘outsider’ population segments also partially explains highly contested elections, politically motivated violence and contestation between leaders in the case of municipalities such as Montepuez and Mocimboa da Praia in Cabo Delgado.<sup>23</sup>

Hence, land is not only a place for housing or to practise agriculture to provide food. It also represents a space where (local and non-residential) elites exercise their power, often using it to contest other political and economic stakeholders’ claims to power for assuring livelihoods, rent seeking, exercising political influence, etc. This is particularly the case regarding investments in large-scale agricultural and forestry projects, extractive industries and associated infrastructure projects, which involve resettling residents – in these cases the battles around land may become fierce. Examples are conflicts in Cateme (in the case of the coal industry in Tete Province) (Mosca & Selemane, 2011), large-scale forestry projects in Niassa, in which the community burned down forest plantations (Kaarhus & Martins, 2012) and the case of the logistical base in Pemba Bay for the emerging gas industry in Cabo Delgado (see Part III, Section 6.2). In these and other cases, the local and provincial governments were only ill informed or informed late about the dimensions and implications of

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23 Interviews with A.C., Provincial Assembly, Cabo Delgado, 09/10/2015.

the projects negotiated in Maputo. They had little space to manoeuvre and influence negotiations or deals which would include their own interests.<sup>24</sup>

From a decentralisation point of view, devolved management of land (and natural resources) has been absent from the debate and the policy framework governing decentralisation in both of its forms. Only recently did the introduction of the Land Information and Management System, supported by the US Millennium Challenge Fund, make considerable and innovative inroads into decentralised and devolved management of land, including the elaboration of (municipal and district) land cadastres and the IT-based issuing of DUATs. Combined with a participatory decentralised exercise of delimitation of territory, the mainstreaming of land-use planning in the districts via the District Land Use Plan (*Plano Distrital de Utilização de Terra*, or PDUT) introduced by the National Decentralised Planning and Finance Programme (*Programa Nacional de Planificação e Finanças Descentralizadas*, or PNPFD), the difference between *terreno* (land holding/plot) and *territorio* (territory/area) (Negrão, 2001) could be overcome. Further issues to be considered to make the ambitious project of *Terra Segura*<sup>25</sup> a success would be an element of community empowerment (juridical and material) and the institutionalised and transparent sharing of benefits arising from the productive use of land between the central and local state and the local community and local administration, e.g. by renting the land out against levying a land-use fee or tax. It would also make, in very practical terms, an important material contribution to enhancing debate and the scope of decentralisation of power and resources, without major changes to the legislation on land (Negrão, 2001). Additionally, it would certainly contribute to instilling a new dynamic in a highly diversified local economic development, since one of the important production factors and its benefits would partially shift to local elites, so far largely sidelined by the ongoing decentralisation process.<sup>26</sup>

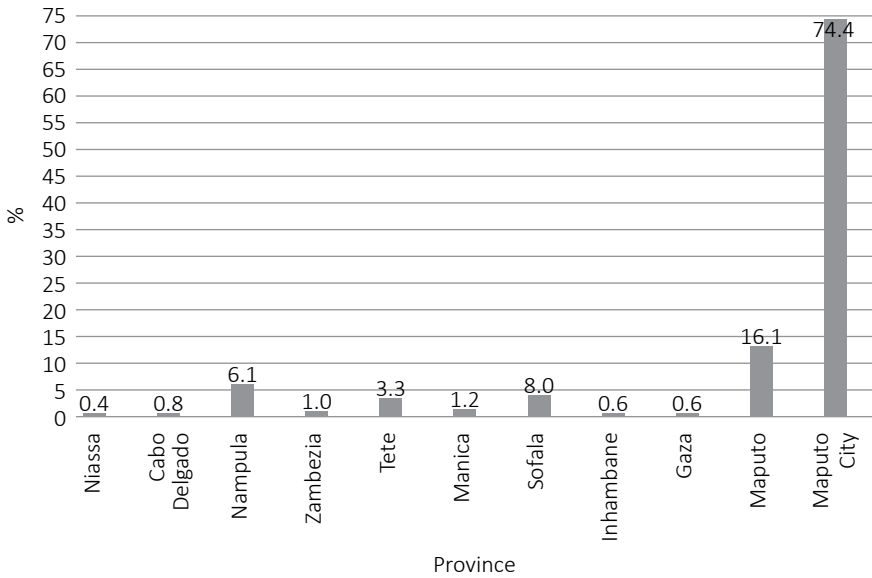
Regarding Mozambique's economic geography, since colonial times a structurally distorted budgetary policy has given preference to the allocation of resources to state and public consumption (buildings), specifically in urban areas and particularly in the Maputo/Matola metropolitan area. Many of the major investments in road and railway, energy transport and other technical infrastructure associated with the extractive industry (mining, energy, timber) take place in provinces in southern, central and northern Mozambique, i.e. often far away from Maputo. However, all major (investing) enterprises are registered in Maputo, which from 1997 to 2007 absorbed 45% of total registered investment, even if the operations of the

24 Interviews with senior official, Municipality of Pemba, and with a member of the Provincial Government of Cabo Delgado, 06/10/2015 and 10/10/2015.

25 A government programme started by the Ministry of Land, Environment and Rural Development in 2015 which aims at securing and registering land customarily used by members of local communities, aiming at issuing up to 4 000 DUATs.

26 Various interviews in Cabo Delgado and Nampula provinces, in the period between 5 – 15/10/2016.

Figure 1: Contribution by province to national revenue collection by ATM (averages 2007–2014) (%)



Source: ATM, 2015.

companies occurred in those provinces endowed with natural resources. Maputo and Matola remain the central hub of all economic activity in the formal sector except for agriculture. And it is here where the industrial base for processing and manufacturing is located together with the ports with the highest turnovers, the headquarters of the financial and service sector, and where most of the Mozambican enterprises pay their taxes (except municipal taxes). Figure 1 gives the share, by province, of national revenue calculated as an average of all annual revenues (by province) collected by the Mozambican Tax Authority (*Autoridade Tributária de Moçambique*, or ATM) between 2007 and 2014.

## 2 Economy

The pattern of the present high rate of economic growth in Mozambique, around 7% from 1994 to 2015, is excessively concentrated and hinges on a limited set of export products, among them ‘point resources’ and investments in megaprojects, specifically in the energy and extractive sector. Several studies on various aspects of the political economy of Mozambique have shown that this impressive economic growth hides the fact that the economic structure, as well as the model of capital accumulation, has not changed much over time (Castel-Branco, 2012, 2015a, b; Mosca, 2011, 2013; Weimer et al., 2012).

Key factors of the 'foundational' economic structure are:

- A **commodity and export-led growth orientation** of the economy without notable domestic, inward-led industrialisation and strong intersectoral backward and forward linkages. This leads to an extractive type of economy, not only in the mineral and energy sector, but also in all other sectors linked to natural resources such as forestry, large-scale agriculture, fauna, etc.
- An extremely **open and 'permeable' economy** (Castel-Branco, 2015a) in which the share of exports and imports in relation to the Gross Domestic Product (GDP) has always been very high (above 80%) and in which large-scale foreign investment, especially in the extractive sector (in the broadest sense), not only benefits from tax incentives and other favourable arrangements but can also repatriate capital to the countries of origin. For example, the revenue from coal in Tete Province remained under 0.5% of GDP between 2012 and 2015 (Vines et al., 2015, p. 5). The openness of the Mozambican economy makes it particularly vulnerable to external shocks and volatile global markets, as the financial crisis in 2008 and the present drop in energy prices and the devaluation of the Metical against the US\$ demonstrate.
- The permeable economy produces **limited benefits for the state (revenue), the domestic economy (diversification, inward industrialisation)** and the local communities. The net benefit from mineral and energy extraction (coal in Tete, gas in Inhambane Province) to the latter was only 2.75% of royalty payments in both 2013 and 2014 (Nombora, 2014; Vines et al., 2015, p. 70). Political and economic elites obtain their benefits and incomes not from production but from rent seeking associated with what Castel-Branco refers to as a 'bubble economy' of expectation and speculation linked to land and the extractive industry (Castel-Branco, 2015b). Although (increasing) exports (of aluminium, coal and electrical energy) dominate the trade balance, their contribution to GDP is low and they do not offset the increasing imports (of fuel, machinery, consumer goods and food), leaving Mozambique in a position as a structural net importer of goods and services since the middle of the last century. There are, however, some exceptions: in 2006 Mozambique registered its first trade balance surplus in decades due to the export of aluminium and gas, together with the classic commodities of cashew nuts, cotton, timber and fish, which are in decline.
- **Structural proneness to indebtedness with periodic debt crises**  
Historically, the Mozambican economy has witnessed periodic debt crises which have, on occasion, brought the economy close to collapse. Thus, the current economic crisis (see Part II, Section C, Section 1), in large part



attributable to the present unsustainability of the country's sovereign debt, is nothing novel in Mozambique's economic history.

According to Rebucci (2001) and Hanauer (2012), in 1984, when the first official debt statistics became available, Mozambique's nominal stock of gross external public debt was estimated to be about US\$2.4 billion, corresponding to 50% of GDP and triggering a first debt rescheduling negotiated with the Paris Club of lenders and aid partners. By 1990, the World Bank estimated total debt stock at US\$4.6 billion and by 1995 it stood at US\$7.5 billion. 'When the civil war came to an end in 1993, Mozambique had the highest debt burden per GDP in the world' (Plank, 1993, p. 408).

Five years later, in 1998, Mozambique became a prime candidate and beneficiary of the initiative for Heavily Indebted Poor Countries (HIPC). It reached its completion point in 1999 (IMF & IDA, 1999). The aim was to strike a deal between debt relief provided by international lending and aid agencies against a commitment to introduce a comprehensive poverty reduction programme, later to be known as *Programa Acelerado da Redução de Pobreza Absoluta* (PARPA; Poverty Reduction Action Plan), to be supported by the Programme Aid Partners (PAP). Initially, the government, supported by national non-governmental organisations (NGOs) and researchers, rejected this linkage, making the case for total debt cancellation. While the International Monetary Fund (IMF) argued that the HIPC initiative would involve debt relief of nearly US\$3 billion in nominal terms, equivalent to an estimated 70% of Mozambique's GDP at the time, and reduce nominal debt stocks to about US\$1 billion,<sup>27</sup> those opposed to it pointed out that the debt service after HIPC would continue to represent a huge burden on public finances, equalling an estimated 40% of Mozambique's annual export earnings, with the financing of PARPA, and notably health and education, implying additional and new indebtedness (Castel-Branco, 1999).

At present the external debt, which suffered a shift from public to private sources again, is unsustainable. The acceleration of public and private debt used to finance investments linked to the extractive industries and that of unprofitable public and private enterprises owned by the state is impressive: in the 10 years between 2006 and 2015, these debts grew by 60% and at a rate 13 times that of the high growth rates nearing 10% per year (Castel-Branco & Massarongo, 2016). It tripled from US\$3.5 billion to more than US\$10 billion, not counting the more than US\$2 billion of state-guaranteed debts incurred by dubious, unprofitable security-linked private enterprises (under forensic investigation at the time of writing). According to the

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27 <https://www.imf.org/external/np/ext/facts/mozam/mozam.htm>.

Mozambican Debt Group (*Grupo de Dívida Moçambicana*, or GDM), an NGO quoting government figures, in May 2016 the total foreign debt stood at US\$11.64 billion, equivalent to close to 70% of GDP.<sup>28</sup>

As in the 1980s, it is obvious that the economy cannot sustain this overwhelming debt burden. Worse still, no international debt-alleviation scheme is in sight and the world economic environment is not conducive to dynamic and diversified Mozambican exports. The downgrading of the country's creditworthiness by international rating agencies impacts negatively on necessary Foreign Direct Investment (FDI), with its negative consequences for employment, innovation, productivity increase and diversification of the economy.

Analysing the *main causes* of the structural indebtedness, we suggest three explanatory factors: war, a lack of an encompassing economic policy which aims at economic transformation through economic diversification, and exposure to practices of creditors and banks which are detrimental to Mozambique's interest. In arguing this, we take factors such as the volatility of international commodity prices, as well as the vulnerability of the Mozambican economy to natural calamities (floods, droughts, etc.), as minor explanatory factors. Already in 2001, the IMF argued that the financing of the government's war machinery was the main, although not the only, factor explaining Mozambique's debt distress during the late 1970s and early 1980s. This prompted not only the government's signing of the Nkomati Accord with apartheid South Africa, but also what was perceived as its 'opening to the West' after an unsuccessful socialist experience (Rebucci, 2001). And in the two mandates of the Guebuza government (2010–2015), the budget witnessed, year after year, a pronounced increase in military and security spending, to the detriment of productive sectors such as agriculture and rural development, with the social sectors (education and health) left to donor financing.

Concerning the second factor, various authors have highlighted the need for an alternative economic policy to that of the predominant export-oriented, resource extraction approach that produces growth without development (Castel-Branco, 2010, 2015a; Hanlon & Smart, 2008; Mosca, 2005, 2013).

The third factor, often overlooked, came into focus with the recent *odious debts*<sup>29</sup> associated with state-owned private enterprises such as Mozambican Tuna Fishing Enterprise (*Empresa Moçambicana de Atum*, or EMATUM), Proindicus and Mozambique Asset Management (MAM). The credit agencies financing the credit, Credit Suisse and the Russian bank VGN, were all too willing to make a deal without the necessary due diligence. On the side of

28 Cited in <http://allafrica.com/stories/201605040005.html>.

29 In line with Williams and Isaksen (2016, p. 3), we understand by this term 'debts contracted and spent against the interests of the population of a state, without its consent, and with full awareness of the creditors'.

public debt, the GDM highlights the fact that there is a dramatic increase in commercial debt, a fall of the grant element, a reduction of the average grace period from an average of 10 years in 2005 to six years in 2012, and to less than five years in 2015, coupled with a dramatic shrinking of the period of maturity from an average of 37 years in 2005 to an average of less than 20 years in 2015<sup>30</sup>. Rebucci (2001) concluded that for the period up to 1999, creditors' changing financing and refinancing policies contributed to the sharp rise of Mozambique's debt burden.

- The Mozambican economy is a **typical consumption economy** rather than an economy based on investments for production and the domestic and international markets. Both private and public consumption continues to dominate the composition of the GDP, with household consumption expenditure having a higher share in relation to public consumption, with negative consequences for savings. Partly, therefore, investment measured by gross capital formation has remained structurally low, although it more than doubled from the 1970s to the present. It will continue to rise with the large-scale investment in liquefied natural gas (LNG), but it is unlikely to produce effects on industrialisation given the low propensity of such projects to create forward and backward economic linkages. This is a clear lesson learned from the scale of investment in the coal industry in Tete Province (Langa, 2015).
- The economy has continued to remain a **service economy**. The service sector, notably the railways and port systems used by neighbouring countries, has been dominating GDP with a weight of above 30% in the 1970s and 1980s, climbing to more than 50% from 1994 onwards. However, it also underwent dramatic structural changes in the sense that it is no longer the regionally oriented transport subsector of railways and port revenues that dominates the service sector, but the growth of banking, insurance and telecommunications, as well as air travel, tourism and domestic transport.
- **Agriculture**, notably the smallholder and family sector, is marginalised, but is the mainstay of around 70% of the population, absorbing about 80% of the labour force. Its contribution to GDP, at around 30%, is higher than that of industry at around 24% (KPMG, 2013). Small-scale farmers remain poor<sup>31</sup> and suffer from having no voice (e.g. in parliaments and political parties), little tenure security, and lack of access to credit, technologies and extension services commensurate with their productive potential, resources and needs.

30 GDM, cited in <http://allafrica.com/stories/201605040005.html>. See also Mozambique: Debt Crisis & the Panama Papers, Africa Focus Bulletin, 13 May 2016, <https://web.archive.org/web/20160514105002/http://www.africafocus.org/docs16/moz1605.php>.

31 With an estimated annual cash income of US\$31 (in 2012). See <http://www.theguardian.com/global-development/poverty-matters/2012/jul/31/mozambique-agricultural-fortunes-obama-annan>.

The large-scale allocation of land to global investors for plantation agriculture and forestry and the established trade policies associated with powerful elites in the food trade business, together with deteriorating real terms of trade between agricultural output and (imported) inputs, work as disincentives for increased production and diversification in smallholder agriculture. There are a few notable exceptions, such as outgrower schemes in the sugar and tobacco industry (Buur, Mondlane & Baloi, 2011; Smart & Hanlon, 2014). The seminal title of Bowen's (2000) book *The State against Peasantry*, which analyses peasant agriculture from the immediate post-independence socialist period to the late 1990s, maintains its validity. The dim prospects for small-scale agriculture contribute to the creation of an urban *lumpenproletariat*. It has been estimated that over the past 10 years, 15% of small-scale farmers abandoned their land, migrating to the slums in towns and cities, surviving there by informal peddling of cigarettes, airtime for mobile phones, etc.

- The economy of Mozambique and the associated **socioeconomic differentiation and stratification process** has always had an exclusionary effect on the Mozambican society and economy, especially on the peasantry. Put simply, the large group of rural smallholders and farmworkers is juxtaposed with the extremely wealthy groups of urban national elites. In between is a small, urban-based and salaried middle class associated with the state and the public service. The annual gross national income, estimated at US\$530 (2012), is thus quite unequally distributed, vertically and geographically. The poorer group of rural farmers has an estimated average annual income of US\$31 (in 2012). Although no systematic data on income inequalities are available and no adequate measuring methods are consistently applied, there is evidence that 'measured inequality increase[d] by about 2.5 Gini points from 2002/03 to 2008/09' (Arndt, Jones & Tarp, 2015). Consumption of food accounts for two-thirds or more of poor households' total consumption – a figure that has remained unchanged during the past two decades. Those households spend around half of their overall budget on basic or core food products, whereas basic food items rank much lower in the consumption patterns of the higher and highest income brackets, which spend their income on non-food or luxury food items (Arndt, Jones & Tarp, 2015).

## 3 Political-Administrative System

### 3.1 Public Administration

An inherited highly centralised administrative system, or what Ekeh (1975) refers to as a 'colonial civic public' (see below), enhanced and maintained during the immediate

post-independence socialist phase ('democratic centralism'), has been shaping Mozambique's political-administrative system until today, the decentralisation system of devolved local governments in the early 1990s notwithstanding. It follows the principle of subordination and delegation rather than subsidiarity and devolution regarding the lower levels of public administration. Except for the municipalities created from 1997 onwards, this system has been maintained and modified only through a deconcentration reform in 2004, which produced the Law 8/2004, in which parts of the management and planning responsibility have been administratively decentralised, notably to district level. This deconcentrated model of management under central power and with little autonomy (and resources) for the subnational levels is all-encompassing, and includes not only the public administration but also public enterprises, notably those which deliver public services (e.g. EDM [*Electricidade de Moçambique*/Mozambican Electricity Utility], TDM [*Telecomunicações de Moçambique*/Mozambique Telecommunications], FIPAG [*Fundo de Investimento e Património de Abastecimento de Água*/Water Supplies Investment and Asset Holding Company]). In the case of the latter (and other public enterprises), verticality and subordination under central command and control prevent horizontal accountability to other stakeholders such as parliaments and civil society. Their track record of effective, efficient, lucrative and transparent economic management is quite doubtful as various recent studies by the *Centro de Integridade Pública* (CIP; Centre for Public Integrity) and debates in parliament demonstrate (see, for example: Nhamirre & Mosca 2014).. And they are part of a rent-seeking system which ensures that the interests of the Frelimo elites are satisfied.

At local level, central government agencies, OLE's (*Órgãos Locais do Estado*/Local Units of the Central State Administration), public enterprises, municipalities, etc. intervene at the same time and in the same territory. A clear definition of functions and responsibilities<sup>32</sup> is often not obvious or is lacking outright. Policies and strategies of key actors in service provision (e.g. EDM and FIPAG) are often not aligned with municipal urbanisation and expansion plans.

Concerning the macro structure, a Public Sector Reform (PSR) was carried out between 2001 and 2010 at a cost of around US\$200 million (Scott et al., 2011). Main players were the *Unidade Técnica da Reforma do Sector Público* (UTRESP; Technical Unit for Public Sector Reform) subordinated to the Interministerial Council for Public Sector Reform (*Conselho Interministerial da Reforma do Sector Público*), composed of ministers of key portfolios. Aimed at contributing to a restructuring of central government institutions, incorporating decentralisation as an overarching theme of reform and better responding to the needs and expectations of both citizens and the

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32 Functions of local and central government actors can be either complementary (mutually exclusive), competitive or delegated.

markets, the PSR included a functional analysis of almost all ministries and analyses of both the macro structure of government and of a wide array of interministerial commissions (Scott et al., 2011). However, the outcome of the reform and its cost efficiency have been questioned for several reasons, particularly by donors who supported both the reform and the government's Poverty Reduction Strategy Paper, the effectiveness, efficiency and outcomes of which were meant to be increased by the reform.

The analyses commissioned by UTRESP estimated that from 1986 until 2003 around 110 new governmental organisations (ministries, secretariats, institutes, etc.), including 44 interministerial commissions (commissions, institutes, units), had been established, most of them created and staffed at central level and many of them fallen into disuse. By the end of the PSR, the number of interministerial commissions was reduced to 19, but the number of ministries and ministers had been increased.

Despite these changes, and with certain exceptions concerning the Ministry of Education, the National Road Administration and the Road Fund, the sector ministries (Health, Public Works and Habitation, Agriculture, etc.) remain vertically organised and do not necessarily correspond to the functional and resource needs of improved service delivery (quality and coverage of services), improved transparency, access to information, accountability and involvement of the private business sector, especially in service provision at local level. These ministries and public enterprises, each with its own organisational culture, have been compared to discrete, isolated 'multi-floored silos', with little communication within and amongst each other, even at the level of the Council of Ministers and central government. Often supported by sector-wide approaches, they are in favour of neither direct budget support (to the Ministry of Finance) nor decentralisation, since they fear losing access to and control of their own budgets. For these reasons, their heads have been equated to the 'nobles of fiefdoms, not always showing loyalty to their king, nor much love for their subjects'.<sup>33</sup>

The exceptions notwithstanding, deconcentration meant neither the transfer of autonomy and resources, especially for capital investment, nor that of accountability to lower levels of government, as is the case with municipalities. The same applies to a significant extent to public utilities. Although sectorally better integrated and resourced, the PSR has not achieved district governments with the ability and degree of autonomy to respond to an articulated demand of local stakeholders (farmers, traders, investors, etc.). Various sector analyses, e.g. on rural water supplies (Forquilha, 2013) and on agriculture (Forquilha, 2015), and several interviewees confirm this perception.<sup>34</sup>

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33 Personal communication with retired senior government official, Maputo, 12/12/2017.

34 Interviews with two councillors, Pemba Municipal Council, 05/10/2015, and with senior staff member and advisor, Nampula Provincial Government, 13/10/2015.

If we define reform of the public sector as an irreversible structural change of interinstitutional relations in the public sector, both horizontally (i.e. at national level) and vertically (at subnational level), the PSR achieved little. The changes at macro level were modest and not necessarily all attributable to the PSR and the vertical system of government remained hierarchical, vertical and top-heavy, despite efforts and changes towards decentralisation. The changes were poorly aligned with the material interests of local stakeholders, notably in the field of service delivery.

Neither this legislation and the associated deconcentration process nor the constitutional reforms of 1990 and 2004 did away with the principle of vertical subordination of lower-level public administrative units. According to Article 252 of the constitution, civil servants are subordinated to their hierarchical superiors, to whom they owe obedience. Introduced in the years immediately after independence, this was reconfirmed in 1981 by the norms established for the organisation and leadership of the central state administration, NODAEC (*Normas de Organização e Direcção do Aparelho de Estado Central*/Norms on Organisation and Leadership of Central State Apparatus).<sup>35</sup> Also, NODAEC's principle of double subordination is maintained regarding the Permanent Secretary (PS) at provincial and district levels. This means that the PS, e.g. at the provincial level, is subordinated to both the provincial governor and the central government, i.e. the Ministry of State Administration and Public Service (*Ministério de Administração Estatal e Função Pública*, or MAEFP).<sup>36</sup> If we include the organisational verticality of the predominant party and its embeddedness with the state apparatus (see below), we may even speak of a triple subordination.<sup>37</sup> In the PS's office, the Department of Territorial and Municipal Administration (*Departamento de Administração Territorial e Autarquica*, or DATA) is the hierarchical superior of the district PS (who is also formally subordinated to the district administrator and informally to the district secretary of the Frelimo party). DATA also exercises support and control of the municipal mayors and their council, holding *de facto* the function of what can be compared to what once was known as the Provincial Directorate of Support and Control (*Direcção Provincial de Apoio e Controlo*, or DPAC), formally abolished in 2003.

Finally, it should be noted that the slow decentralisation and deconcentration process did not affect essential bits and pieces of the 'software' in use for managing, planning and monitoring government action and programmes at macro level. Decentralisation therefore does not automatically mean the deconcentration and devolution of the existing management and information systems. The fuzziness, or absence, of well-defined subnational territorial boundaries, typical for a colonial-type administration and maintained in the postcolonial period, has already been

<sup>35</sup> NODAEC, Decree 4/1981.

<sup>36</sup> Before 2015 it was split into the Ministry of State Administration and the Ministry of Public Service.

<sup>37</sup> Interview with senior member of Provincial Government, Cabo Delgado, Pemba, 7/10/2015.

discussed above. Other examples are the centrally managed e-SISTAFE (*Sistema de Administração Financeira do Estado*/State Financial Administration System), which until today does not have a territorial classifier for each of the municipalities (important for the transfer of the FCA [*Fundo de Compensação Autárquico*/Municipal Equilibration Fund] and FIIA [*Fundo de Investimento de Iniciativa Autárquica*/Municipal Investment Fund]), which would also cater for the information needs of central government on, for example, the municipal performance in managing expenditure and own-source revenue (OSR). Nor is it aligned to the fiscal and budgetary management needs of the municipalities, efforts by projects undertaken since 2007 toward such a system notwithstanding.<sup>38</sup> Furthermore, the administrative and territorial organisation of the ATM, the National Statistics Institute (*Instituto Nacional de Estatística*, or INE) and the Notary Services (*Conservatória de Registo e Notariado*) of the Ministry of Justice ignores districts and municipalities as distinct units for data collection and information provision. Presently it is hardly possible to obtain data from these entities, for example of certain direct taxes collected, resident holders of a tax identification number (NUIT) or property transactions per municipality.

### **3.2 Local Government and Communities**

At local level, government and public administration face the challenge to interact with local communities and leaders. It is there where visible, invisible and hidden forms of power are exercised and contested, often vehemently (Part I, Section 2.3). Hereditary rulers and paramount chiefs, part of the national elite in African countries such as Botswana, Ghana and Namibia, where they have their own representative structure at national level (Mijiga, 1998), did not play a leading role in the Mozambican colonial and postcolonial history. This does not mean, however, that hereditary rule of dominant families, particularly in rural areas, never existed. As the study by Galli (2003) demonstrates, such local leaders are part of what Ekeh (1975) referred to as a ‘primordial African public’ (Part I, Section 2.3). They are powerful as autochthonic custodians of land and natural resources, and as institutions that maintain social and religious equilibria and relations of exchange with the outside world of the ‘civic public’ (i.e. the state and public administration, investors and traders). Even if materially poor, they have considerable hidden power.

The co-option of such local African ‘traditional authorities’, community leaders and *régulos* (‘little kings’) into the political administrative system was initially not foreseen at independence, but instead their abolition, including their

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<sup>38</sup> E.g. by the USAID-funded PROGOV municipal support project (2005–2008) or the P-13 and Municipal Development Programmes (*Programa de Desenvolvimento Autárquico*) running between 2008 and 2014, respectively, pool-funded by Austrian Development Cooperation, the Danish International Development Agency and Swiss Development Cooperation.



‘obscurantist’ practices of dispensing justice, resolving conflict, initiating boys and girls into adulthood and managing land. The Salazarism ‘*Estado Novo*’ established by Salazar in the late 1940s had attempted to instrumentalise these authorities when introducing indirect rule, gleaned from British colonies, based on the system of *régulos*. Given Frelimo’s antagonism towards them, they tended to openly or clandestinely support the Renamo (*Resistência Nacional de Moçambique*/National Resistance Movement) campaigns during the civil war. Following the General Peace Agreement (GPA), a role in the Frelimo-led system of governance was sought for them. From 2000 onwards, based on Decree 15/2000, they were integrated into the local political-administrative structures, together with local representatives of the Frelimo party such as the *Secretários de Bairros* (heads of wards). This was an attempt to ‘reclaim the state authority’ at local level (Buur & Kyed, 2006). Formally recognised by the MAEFP, respectively the provincial governments, they of have consultative, controlling and mobilising functions for the state, the government and Frelimo, e.g. in times of electoral or health campaigns. These leaders are bestowed with uniforms, a bicycle and a salary and take office in public official ceremonies. They also play a key role in issuing documents for public and private affairs, such as identity and voter cards, residence permits for foreigners or providing credentials for opening a bank account. To a considerable extent this integration follows the colonial pattern of integrating traditional authorities into a local administration with little downward, but substantial upward, accountability (Buur & Kyed, 2006; Kyed, Buur & da Silva, 2007).

At present, there are around 45 000 formally recognised community authorities at district level and below, organised in hierarchical tiers corresponding to the level of subnational administrative units (districts, administrative posts and localities) (Table 4).

Table 4: Community leaders by tier

Tier	Level of administration	No. of community leaders (approx.)
<b>First</b>	District	6 300
<b>Second</b>	Administrative Post ( <i>Posto Administrativo</i> )	10 700
<b>Third</b>	Locality ( <i>Localidade</i> )	28 000

Source: compiled by authors

There are variations across provinces. For example, Cabo Delgado Province has no third tier of community leaders, and in other provinces the introduction of a fourth tier at the level of *Povoado* or settlement is being considered.

### 3.3 *O Estado*<sup>39</sup>

An intrinsic relationship between Frelimo and the Mozambican state emanates from the historical circumstances of the independence struggle. On the one hand, Frelimo targeted the colonial state, attempting to dismantle it in 1977 in the immediate post-independence period (*escangalhamento*) and transform it into a socialist ‘peoples’ state’ with a centrally planned economy based on social justice and socialist relations of production. Under the leadership of Frelimo, the ‘New Man’ (*Homen Novo*), especially in its function as representative of the state and party, as a subject of history, was to replace the backward and obscurant mind of the object oppressed by colonialism. Yet, in achieving its transformational objectives, Frelimo had to instrumentalise the very state it fought against in the liberation struggle. Thus, while ‘the gap between the modern state and the communities only became wider’, as the scope of the independent state became larger, it was ‘what had been inherited from the colonial period’ that formed the backbone of the new state, which struggled to live up to expectations: ‘The upsurge of needs and demands in the aftermath of colonial rule in the independent states placed a heavy burden on the state machinery that was not prepared to cope with it’ (Monteiro, 2002, p. 3). Especially in the economic field, it was difficult to shape the state and make it responsive in accordance with the new political and economic agenda. As Monteiro said with hindsight:

Although this entailed a change in the nature of the function and style of management inherited from the colonial bureaucracy, the structure and methods of the state remained the same. It was not the economy changing the management style of the state – it was the other way around (Monteiro, 2002, p. 3).

The polity Frelimo grafted upon the base structure of the colonial state in Mozambique is not just any other common, sovereign state with a territory, a people, an economy and administrative system, and a monopoly of coercive power. It was meant to be much more than that: a collective entity *sui generis*, an entity called *Estado* (State, with a capital letter), in opposition to a social contractual arrangement among citizens with individual and collective political rights and duties entrusted to the state as a collective expression of the citizens’ interests and rights (Newitt, 1993, p. 445). This *Estado* epitomises a supreme, unquestionable (discursive and coercive) power of ‘ordering people, things and ideas’ (Dillon, 1995, p. 323), with a monopolistic claim on resources, administration, justice, violence, creed and even dress code: a collective being endowed with its own reason, the ‘State’s Reason’.

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39 This section follows Chapter 2.2 in Weimer et al. (2012). In Portuguese, *Estado* (State) is always capitalised, as are months, names, gods, etc.

The relationship between state and party was, as such, both simple and complex. On the one hand, the party led and gave direction to all state activities where the state was perceived to be a willing, ever-ready servant executing the political and ideological programmes of the party. On the other hand, the vanguard party and its political heads often did not trust the state personnel or bureaucrats. This was partly because many of those who became state functionaries came from the more educated sections of the population emerging after 1960, when the Portuguese regime began to use more resources in training and hiring Africans in an attempt to create an African bourgeoisie, notably in positions of state clerks, as well as health, education, rail, transport and port functionaries. This contrasted with the higher echelons of the state and the economic domain dominated by those of Asian, Goan or Portuguese origin.

An often conflictual relationship between state and party became a relatively constant feature of how power would be organised in Mozambique over time. Despite the multiple reforms initiated from the mid-1980s aimed at restructuring the state, disentangling state and party, producing a multiparty democracy governed by adherence to the principles of good governance, and so forth, the kind of relationship has been one of party dominance and continual reliance on the state to carry out Frelimo party policies. Therefore, control over the state and its bureaucrats has been an overall preoccupation of Frelimo and, despite relaxation at certain periods of time, control has constantly been reasserted. Especially under the two Guebuza mandates, there was a clear tendency to subordinate the state and all institutions, including the president of the country and the army (Igreja, 2015), under the power of the party. This triggered renewed armed action by the Renamo opposition, and the inclusion of the depoliticisation of the state apparatus in the agenda of negotiations between the government and Renamo at the Joaquim Chissano International Conference Centre (see Section C, 2.2), as well as the tabling of a bill to this effect in Parliament by the Democratic Movement of Mozambique (*Movimento Democrático de Moçambique*, or MDM). It also led to a major conflict within Frelimo, in which the neo-Leninist doctrine of placing the party above the state institutions was labelled as unconstitutional.<sup>40</sup>

Despite the new state features Frelimo ‘constructed’ after independence, the state’s emerging polity gives continuity to the ‘structural logic of the colonial state’: a state with few citizens but with subjects, independent of a dynamic society, legitimised via the control of territory, resources, the economy and people, with ‘liability to work and guardianship as the currency used by the state to realise its

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40 For example, by the constitutional lawyer Gilles Cistac, assassinated under unclear circumstances in Maputo on 3 March 2015, or by the senior Frelimo member, former minister of labour and member of the Frelimo delegation at the Rome peace negotiations with Renamo, Teodato Hunguana, in a widely broadcast TV interview. See <http://opais.sapo.mz/index.php/politica/63-politica/34184-teodato-hunguana-contraria-armando-guebuza.html>.

claim to rule' (Macamo, 2001, p. 79, translation by authors). This resulted in the continuation of what Newitt described, for the late period of colonial rule, as a highly centralised civic, tax and political-military administration in Mozambique 'that would promptly and effectively respond to the levers in Lisbon' (Newitt, 1993 p. 451), with the difference that now the levers are operated in Maputo. In an interview with the research team, the former minister of state administration, Alfredo Gamito, questioned the service-delivery capability of the present state by provoking a debate on the following question: What followed, after the *escangalhamento* (deconstruction/destruction) of the colonial state decided by Frelimo in a Central Committee meeting in Nacala in 1976? What replaced it? The sobering answer is that the Mozambican state has never been profoundly transformed in substance, even though decentralisation in the wake of the Rome peace process was meant to contribute to a rethinking of the state towards more democratic legitimacy, more administrative and fiscal autonomy and an increased ability to deliver the most essential public services (Weimer, 2012).

## 4 Frelimo

### 4.1 A Foundational Movement Turned Political Party<sup>41</sup>

One of the most important, if not the decisive, foundational factors of Mozambique's political economy has been and continues to be Frelimo. The party emanated from a coalition of independence movements turned into a Front, and celebrated its 50th anniversary in 2012. It has been in power since independence in 1975 and in its elites' own understanding, the party is the shaper, even 'owner', of Mozambique's contemporary history, the *dono do país* (owner of the country). That the party and the ruling party elite are also the main beneficiaries of the political economy institutionalised by the state and government, is considered 'natural' and evident due to the party's historical mission as the liberator from the shackles of colonialism. The words of retired General Chipande, the Frelimo soldier credited with firing the shot that signalled the beginning of the liberation struggle in Mozambique, are clear: 'we are entitled to get rich since it was us who fought for independence'.<sup>42</sup>

Frelimo's liberation struggle, as well as its strategies to face the 'Leviathan' of the colonial state, i.e. its project of state- and nation-building along nationalist lines using socialist rhetoric up to the mid-1980s, has been well documented (Hall & Young, 1997; Monteiro, n.d.; Newitt, 1993). Labelled, after the transition from a one-party

<sup>41</sup> This section follows the arguments in Weimer et al. (2012).

<sup>42</sup> 'Os membros do partido Frelimo têm o direito de enriquecer, porque lutaram pela independência' Cited in: *O País*, 21/08/2009. Retrieved from: <http://opais.sapo.mz/index.php/politica/63-politica/2393-chipande-reitera-suas-convicoes-sobre-direito-a-riqueza.html>.

state (1975–1994)<sup>43</sup> to a formal multiparty democracy (1994–), as a ‘predominant state party’ (Dinerman, 2007, p. 6) or a ‘ruling party in a dominant party system’ (Salih & Nordlund, 2006, p. 5), it constitutes the foundation and cornerstone of political and economic life in Mozambique. Thus, the present political system of Mozambique could be labelled *de facto*, not *de jure*, a single-party state. Despite the strong trends towards centralism and the invocation of its character as founder of the Mozambican independent state and nation, stemming from its nature as a militarily organised liberation movement, and from its Marxist-Leninist past, Frelimo appears to be in constant fear of losing its grip on the country. This fear partly stems from the signals which emerged during the 1980s, that destabilisation initiated by the Rhodesian regime and taken over by the apartheid regime after 1980 was not only waged by ‘enemies of the revolution’, but also reflected internal dissatisfaction among the peasantry, the ostracised bourgeoisie, etc. This fear of losing hegemony over people, territory and resources, i.e. the fear of having to share power, continues in relation to the armed rebel movement turned political party, Renamo. This is not only manifest in relation to political competition in a multiparty system, but also motivated the backtracking on Frelimo’s ambitious decentralisation project enacted by the then one-party Parliament in 1994.<sup>44</sup> These fears were carried over into the multiparty system when they became election-driven (Weimer, 2012).

Frelimo’s power over people, territory, economy and institutions, its power to shape politics and policy, as well as its discursive power, both nationally and internationally, has been instrumental to staying in power for more than 30 years. One of the factors is its alliance with like-minded foundational parties, particularly in southern Africa. The diversity of external relations notwithstanding, Frelimo has successfully managed to cultivate special relationships of friendship and solidarity with those parties. It has very strong ‘fraternal’ ties with the former liberation movements in Angola (*Movimento Popular de Libertação de Angola*/People’s Movement for the Liberation of Angola), Namibia (South West Africa People’s Organisation), South Africa (African National Congress), Zimbabwe (Zimbabwe African National Union Patriotic Front), and with the foundational party in Tanzania (*Chama Cha Mapinduzi*). They are, as is Frelimo, the main political force of the dominant party systems in their respective countries.

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43 At the time, Frelimo was organised along Leninist principles, whose characteristic elements are, according to political science theory (Colas, 2006, p. 429): democratic centralism, top-down decision-making, control of the state, the economy and security (military and police), identification of the internal and external enemy, internal control concerning ‘infiltrators’ with subsequent purification of suspects, a militancy of the political discourse – of ‘fight against the declared enemy (colonialism, imperialism, “armed bandits”, corruption, poverty, etc.)’ and absorption of civil society. Some of these elements are still alive and/or have been reintroduced through the reform of the party by its former chairman, Guebuza, from 2003 onwards.

44 Reference is made to Law 3/1994.

The other key to success is its high degree of institutionalisation and coherence, and its capacity to resolve internal cleavages through political settlement using the state's resources and networks of economic influence and power, associated with a handful of families of liberators of the land and people. Children of Frelimo liberation fighters are entitled, by the party's statutes, to inherit that status, i.e. to be considered Frelimo veterans. Despite certain regional cleavages, ideological 'currents' and a diversity of interests, as well as the different ethnic and religious backgrounds of its members, it has been a highly unified party. It is noteworthy that, in contrast to many other African countries, no presidential candidate in Mozambique can count on an ethnicity-based majority of voters (as is the case in Zimbabwe or Namibia), which forces candidates to seek alliances across ethnic and regional boundaries. So far, centripetal forces holding the party together have been stronger than the centrifugal forces, and it is noteworthy that the party has not split, nor have any senior members been expelled or left despite harsh treatment at times. Thus, de Renzio and Hanlon (2007, p. 8) state that 'there are no expulsions or splits, and all factions remain inside the party. Neither have the highly corrupt been expelled, nor have the outspoken opponents of corruption left the party to set up an alternative political force'.

Newitt (2017) points out that Frelimo has avoided becoming an ethnic party, although, in regional terms, it has been dominated by social and political interests from the south (Maputo, Gaza, Inhambane) and Cabo Delgado, neglecting those from the centre of the country. The highly diverse ethnic, cultural, linguistic and religious landscape of the country, with no numerically dominant ethnicities or religion, has helped to prevent any ethnic group taking superiority over others. Historically, and under the conditions of the liberation struggle, Frelimo forged itself into a non-tribal and non-racial movement. Whether this is still the case is debatable, considering the political discourse of the Frelimo leadership up to 2014, which suggested a distinction between Mozambicans of first, second, etc. 'breed'. The party has on various occasions show its ability to review some of its own early ideological positions, e.g. on traditional authority or on religion. However, attitudes concerning citizens outside Frelimo, intellectuals, critics, etc. have not changed much over time. They are connoted with the opposition or even enemies, making them targets of verbal or physical attacks. This points to the widespread practice of dominant or authoritarian regimes identifying and blaming an external enemy for their own shortcomings in an attempt to keep the party united. A more constructive way to promote unity is to subject party affairs and politics to criticism and self-criticism, a practice said to have vanished under the last mandate of former president Guebuza. Newitt (2017) highlights two other factors which hold the party together: the existence of Renamo as a potential electoral (and military) threat

convinces members of Frelimo to close ranks, while the party's long tenure of power means that it can sustain its client base in a political system that has become increasingly patrimonial.

The high degree of coherence and institutionalisation of the party was reinvigorated during the two mandates of former president Guebuza (2004 to 2014). As president of the country and a chairman of Frelimo, he is credited to have reactivated the Frelimo party cells in the public administration and the army, and reconfirmed the subordination of the state to the party in the party statutes (see below). He is also considered to have used the state and government machinery to enhance, in an 'exaggerated and self-serving way', the economic interests of companies associated with his family in various fields of the economy, notably those related to extractive industries (mineral and energetic resources), key utilities (electricity, telecommunications), real estate and industries (construction).<sup>45</sup> As a result, the cracks in the party have deepened, internal power struggles, including along regional lines, have become more visible and open contestations for potential sources of rents between founding members of the party have been witnessed. Beyond that, the political-military conflict with Renamo intensified up to mid-2016 (see Section C, 2.1).

## 4.2 Politics, Economy and Power

We have already noted the lack of a clear distinction between the 'civic' and 'party public' on the one hand, and the business (private) sector, on the other – not in terminology, but in practice. This is another structural feature of Mozambique's political economy. With very few exceptions,<sup>46</sup> at independence many businesses were put under the control of the state (and party) or transformed into state companies, later labelled public companies. Today, in fact, and not only in strategic sectors such as mining and energy resources extraction, distinguishing between the interests of top decision-makers in the executive, the bureaucracy, the public and private companies is a futile academic exercise, as a study by CIP demonstrates: the key actors have or had stakes in all four spheres (Machel, 2012). They work in complex networks, which have three pivotal centres associated with the names and families of the two most recent presidents and the widow of the first president of the country (Chivangue & Cortez, 2015).<sup>47</sup> Thus, party elite groups and important individuals aligned to the party control directly (via investment holdings) or indirectly (via the state and public enterprises) the commanding heights of the economy. In this net of private and public economic interests, public enterprises (known as parastatals) and autonomous public institutions play a pivotal role, especially in railways and ports, energy generation and transmission, telecommunications, etc. They have a key role

<sup>45</sup> Personal communication with a retired senior government official, Maputo, 12/12/2016.

<sup>46</sup> João Ferreira dos Santos (agriculture) and Entrepósito (vehicles, etc.).

<sup>47</sup> Armando Guebuza, Joaquim Chissano and Graça Machel.

to play *vis-à-vis* the ruling party coalition as providers of lucrative jobs and positions, as well as funding mechanisms.<sup>48</sup> The Mozambican parastatals operate with high capital outlays, are important macroeconomic players and represent a considerable part of the public investment volume and, thus, the national demand for goods and services. There is no consistent and transparent information on them, especially not regarding those involved in the extractive and energy sectors, in which not only state enterprises (like electricity, EDM and the National Hydrocarbon Company [*Empresa Nacional de Hidrocarbonetos*, or ENH]) but also enterprises linked to the political elite or *nomenklatura* have stakes (Hanlon & Mosse, 2009; Machel, 2012). Often, they are isolated or insulated from public scrutiny by, for example, the Auditor General or the Procurement Oversight Unit in the Ministry of Economic Affairs and Finance (*Ministério de Economia e Finanças*, or MEF). It has been suggested that the parastatals provide ‘dramatic opportunities for corruption’, posing serious fiduciary risks (Lawson et al., 2008, p. 12). Donors consider the public enterprises as ‘black boxes’ in relation to accountability and transparency in the field of Public Finance Management (PFM), notably procurement (Weimer & Macuane, 2011, p. 15).

The privatisation of the economy and the state by rent-seeking elites linked to the ruling party emerged after the brief socialist phase, particularly in the aftermath of Mozambican adherence to the Bretton Woods institutions following the signing of the Nkomati Accord (1984) and the acceptance of the Standard Berlin Clause in agreements with the European Union and its member states. This opened the way for privatisation of state enterprises and for the massive aid flows from both multi- and bilateral aid agencies. The economic reforms coupled with aid created the business elite that emerged at the time, probably spearheaded by Guebuza, whose nickname, attributed by some of his ‘comrades’, was ‘Guebusiness’. Members of the Frelimo ruling elite used privatisation and other government policies as a means both to maintain a strong state presence in the economy (Pitcher, 2002) and to accumulate private wealth (Hanlon, 2002; 2004; Hanlon & Smart, 2008). Out of these processes, an embryonic business group is slowly emerging that forms a key constituency of the ruling party coalition. Particularly with the advent of mineral resource exploitation, some of the key elite factions are fighting for the control of investment opportunities, concessions and contracts for infrastructure development, land and real estate, etc. but also over control of power within the party and over parts of the state and public enterprises. The strong dominant-party coalition Frelimo once was is gradually

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48 According to the legislation, they are subject to the procurement rules in force if they are 100% owned by the state. The autonomous institutions of the state, e.g. *Instituto Nacional de Segurança Social* (INSS; social security), *Fundo de Apoio a Reabilitação Económica* (economic rehabilitation fund, or FARE), and the public enterprises (*Caminhos de Ferro de Moçambique*/Mozambican Railways and Ports, EDM – electricity, TDM – telecommunication, etc.) are not systematically covered by the state financial system or regularly supervised by the state (Pessoa, Azevedo & Nascimento, 2010) or subject to regular state audits (CIP, 2010), although the procurement legislation treats these institutions on a par with those of the public administration.



turning into a competitive, clientelist party coalition, with in fighting among factions. However, it continues to exclude other segments of society outside the realm of the party and state (Weimer & Macuane & Buur, 2012).

Frelimo's elites dominating the economy, politics and policies has turned their party into what may be considered a third type of 'public', in the sense of a 'party public', often posing as a secular 'primordial public' or a big family or clan. It is composed of its members with allegiance to the civic, 'primordial' and, increasingly, to what may be an 'economic public' (parastatals, public enterprises, private enterprises of public entity shareholders, public private partnerships [PPPs], etc.). The civic public, i.e. the state and its resources and rents (partially provided by donors), is subordinated to the 'party public'.

The governing elites straddling these publics tend to settle political conflicts and contest their relative power positions by redistributing resources, influence, privileges, information, etc. from the civic to the party and business publics along clientelist lines and to certain loyal but not all 'primordial' elite(s), with some of them, regionally or ethnically clearly identifiable, excluded. As shown above, nepotism, rent seeking, corruption and the emergence of a kleptocracy are part of this redistribution, which may even lead to competitive clientelism (Macuane, 2010) and intra-elite conflicts. Political settlements for stabilisation/consolidation of power are made, formally and informally, between factions of elites of the various publics, provided sufficient sources of rents are available.

As demonstrated, Frelimo's dominance over the state is also a consequence of the party's adherence to the Leninist principles of organising the party, government, the state and society at large. The state is subordinated to the party, and has a tendency to absorb under the party's hegemony other societal forces or the society at large, the latter organised in the form of mass organisations (of women, teachers, youth, workers, etc.). A true opposition party is not tolerated, and neither is an alternative, independent political opposition, e.g. in the form of a political party, foreseen. Rather, from this perspective, the latter two appear as (internal) 'enemies' to be contained, subdued, and, if necessary, co-opted. Therefore, the party elite dominates (central) government, power, the economy and the management instruments of the civic public/state (army, police, public finances, statistics, legislation, land, natural resources, etc.). This leads to a situation of asymmetrical information, which, according to Stieglitz (2012), is detrimental to dynamic and inclusive economic development.

## **5 Conclusions**

We have seen that key features of the colonial state and economy have changed slowly since independence. One could not have expected otherwise under the conditions under which the country gained its independence, and Frelimo, the foundational

party, assumed its seminal role as *dono do país*, to a significant extent, of its land and resources – in partnership with foreign capital. Various reform projects produced little effect regarding a true reform in the sense of irreversible change of interinstitutional relations and the geography and sociology of power. Some progress was made regarding decentralisation, but ‘decentralising a centralism’ associated with the predominance of one political party in control of the central state and much of the country’s resources, and with less encompassing interests in the past years, is a formidable task.

The economy, with preference given to the ‘economic public’ of the public enterprises, parastatals, etc., is in principle also subordinated to the interests of the party and the state. However, this occurs without necessarily appropriately considering the conditions under which the economy can thrive and a tax base be established which is able to sustain the cost of maintaining and enhancing the state and its public services. The interests of small and medium-scale enterprises (SMEs) and those of the peasantry in agricultural transformation in the rural areas are ignored. As we have seen, especially the latter is an important ‘arena of political struggle’ (Galli, 2003, p. 12). Boone (2003) argues that by limiting the non-state private (agricultural and manufacturing sector) elites, the powerful elites controlling the central state and its resources and rents put a brake on a potential alternative model of capital accumulation capable of supporting and sustaining the development of powerful local elites.

The dependence of the ‘economic public’ associated with the party on the state in terms of contracts, subsidies, investments, access to, and coverage of credits is problematic, since state enterprises and rent-seeking practices of elites often ignore the principles of efficient, effective, transparent, accountable management and economic decision-making. The limited or absent profitability of such state-related enterprises is one of the reasons for budget deficits and indebtedness. In Mozambique, the cases of Mozambican Airlines (*Linhas Aéreas de Moçambique*, or LAM), TDM and EDM would fall into that category. The other reasons lie in the fact that in the PPPs the rent-seeking elites do not invest their own capital, but resort to the government to assume the investment risks and the provision and prepayment of necessary credits. A good case in point is EMATUM, in which the owners of this private company resorted to the Eurobond market to obtain a US\$850 million credit guaranteed by the Mozambican government, which the company is unlikely to ever pay back out of the (unlikely) proceeds of its business operations, leaving the state with a considerable additional debt burden which eats into limited concessional grants. Thus, the ruling state class alliance and its elites across the various ‘publics’ run the long-term risk of state failure and bankruptcy, unless international partners such as China, donors or institutions such as the IMF help to bail out the fragile economy by injecting fresh money in various forms of concessional and non-concessional credits. The other way of injecting money to

sustain the elites, not necessarily the state, is to attract FDI for mineral and energy resource extraction, and for megaprojects.

In the case of intra-party contestation and conflicts, parts of the elite are 'recycled' (Macuane, 2010) in the various forms of 'publics' dominated by the party, in 'exercises' of political settlement. This leads to a political and economic order which is hardly accessible to other (national and local) elites pertaining to the various 'publics'. The result of this process constitutes what North et al. (2010) label Limited Access Order (LAO), as opposed to Open Access Order (OAO). At best, members of the excluded elites may be co-opted. In the worst case, violent contestation is resorted to by those excluded, as the 'second civil war 2012–2013' (Igreja, 2015) demonstrates (see Section C, 2.1). In Mozambique, the challenge for the ruling coalition is that of a permanent political balancing act, on the 'knife's edge' in the 'permanent shadow of political violence' (Levy, 2010; North et al., 2010), given the structural limits to the distribution of wealth, on the one hand, and social pressure by excluded groups contesting the organisation of power in society, on the other.

Thus, over the last three or four decades, little has changed in the structure on which Frelimo's power is based, or in the way it exerts control over territory, people and resources. As the Mozambican sociologist Elísio Macamo succinctly observed more than 10 years ago: '*plus ça change, plus c'est la même chose*' (the more there is change, the more it remains the same) (Macamo, 2001). There were three occasions when those excluded wrested some degree of recognition of their interest and concessions from the predominant elites through armed action. The Nkomati Accord (1984) and the Rome General Peace Agreement (1992) can be interpreted as political settlements resulting from violent contestation by Renamo (and its backers, in the case of the Nkomati Accord). Renamo's armed contestation of Frelimo's hegemony in Gorongosa and Muxungue in Central Mozambique in 2012 and 2013, leading to an Internal Peace Agreement (September 2014), can be seen as another attempt at forcing the hegemonic elite alliance to open up the LAO.

In sum, Mozambique's political economy and the way it is managed and 'owned' has produced and consolidated over more than four decades of state fragility instead of consolidating the state. This is the case despite various reform initiatives and generous foreign aid. The recent events around the odious debts have brought the fragile state to the brink of failure and financial bankruptcy (see Section C, 1).

Under the circumstances of the cumulative weight of foundational factors analysed in this section, decentralisation may, soberly assessed, only play a limited role in contributing to structural change, maybe by democratising the local power structures solidified in 40 years of a dominant-party state and economic elite alliance. It shows that regime change is possible at the local level, i.e. in municipalities run by the opposition, and by partly allowing local elites to participate and have a say

in local and national affairs, albeit in a limited way. If the political struggle of those excluded shifts from political violence to addressing the issue of rethinking the state – its function as provider of public services, its fiscal base and in its territorial dimension of government – then the decentralisation, with its high degree of path dependency, its mixed outcomes and notions of recentralisation, may have a chance to be revisited. The proposal by the opposition parties in Parliament to review the constitution and introduce autonomous provinces may represent such a window of opportunity. The following sections (Rules of the Game; Here and Now) analyse this and other aspects.