DIIS WORKING PAPER

EPP

WORKING PAPER

Mozambique Synthesis Analysis: Between Pockets of Efficiency and Elite Capture

Lars Buur with Obede Baloi and
Carlota Mondlane Tembe

DIIS Working Paper 2012:01

LARS BUUR
Senior Researcher, DIIS
lbu@diis.dk

OBEDE BALOI
Lecturer in Sociology, University of Eduardo Mondlane, Maputo;
Senior Researcher, Center for the Studies of Democracy and Development, Maputo.

CARLOTA MONDLANE TEMBE
Masters Student, University of Eduardo Mondlane, Maputo;
Research Associate, Center for the Studies of Democracy and Development, Maputo.

DIIS WORKING PAPER 2012:01

Danish Institute for International Studies, DIIS
Strandgade 56, DK-1401 Copenhagen, Denmark
Ph: +45 32 69 87 87
Fax: +45 32 69 87 00
E-mail: diis@diis.dk
Web: www.diis.dk

Cover Design: Carsten Schiøler
Layout: Allan Lind Jørgensen
Printed in Denmark by Vesterkopi AS

ISBN: 978-87-7605-484-7

Price: DKK 25.00 (VAT included)
DIIS publications can be downloaded
free of charge from www.diis.dk

DIIS WORKING PAPER SUB-SERIES ON ELITES, PRODUCTION AND POVERTY

This working paper sub-series includes papers generated in relation to the research programme 'Elites, Production and Poverty'. This collaborative research programme, launched in 2008, brings together research institutions and universities in Bangladesh, Denmark, Ghana, Mozambique, Tanzania and Uganda and is funded by the Danish Consultative Research Committee for Development Research. The Elites programme is coordinated by the Danish Institute for International Studies, Copenhagen, and runs until the end of 2011.

Earlier papers in this subseries:

Rweyemamu, Dennis: "Strategies for Growth and Poverty Reduction: Has Tanzania's Second PRSP Influenced implementation?" DIIS Working Paper 2009:13.

Kjaer, Anne Mette, and Fred Muhumuza: "The New Poverty Agenda in Uganda" DIIS Working Paper 2009:14.

Whitfield, Lindsay: "The new 'New Powerty Agenda' in Ghana: what impact?" DIIS Working Paper 2009:15.

Webster, Neil, Zarina Rahman Khan, Abu Hossain Muhammad Ahsan, Akhter Hussain and Mahbubur Rahman: "State Elites and the New Poverty Agenda in Bangladesh". DIIS Working Paper 2009:22.

Buur, Lars, with Obede Suarte Baloi: "The Mozambican PRSP Initiative: Moorings, usage and future" . DIIS Working Paper 2009:35.

Whitfield, Lindsay: "Developing Technological Capabilities in Agro-Industry: Ghana's experience with fresh pineapple exports in comparative perspective". DIIS Working Paper 2010:28.

Whitfield, Lindsay: "How countries become rich and reduce poverty: A review of heterodox explanations of economic development". DIIS Working Paper 2011:13.

Whitfield, Lindsay and Ole Therkildsen: "What Drives States to Support the Development of Productive Sectors?", DIIS Working Paper 2011:15.

Buur, Lars and Lindsay Whitfield: "Engaging in productive sector development: Comparisons between Mozambique and Ghana," DIIS Working Paper 2011:22.

Lindsay Whitfield: "Competitive Clientelism, Easy Financing and Weak Capitalists: The Contemporary Political Settlement in Ghana", DIIS Working Paper 2011:27.

Lindsay Whitfield: "Growth without Economic Transformation: Economic Impacts of Ghana's Political Settlement", DIIS Working Paper 2011:28.

Lindsay Whitfield: "Political Challenges to Developing Non-Traditional Exports in Ghana: The Case of Horticulture Exports", DIIS Working Paper 2011:29.

More information about the research and access to publications can be found on the website www.diis.dk/EPP or via the Q2 barcode

CONTENTS

1. INTRODUCTION

Since the General Peace Accord (GPA) in 1992 ending the civil war and the first democratic elections in 1994, Mozambique has experienced a peaceful transition towards democracy, underpinned by successive rounds of local and national elections, which have been, if not totally free, then at least sufficiently free to be accepted by the international community.[1] This, combined with sustained economic growth (Sousa and Sulemane 2007), a substantial decline in people living below the poverty line, relatively high levels of foreign direct investment (FDI) and very high and continued levels of foreign donor support has made Mozambique 'a success story' for the international donor community where few such stories seem available (Renzio and Hanlon 2006: 3). This has triggered continuous and generous levels of assistance and made Mozambique the ultimate 'donor darling'. But with the opening up of the rich natural resource endowment in energy, gas, oil and minerals to exploitation after Frelimo's election victory in 2009, the country stands at a critical juncture, with the potential to become donor-independent within the foreseeable future.

The Mozambican 'success story' is based on an economic performance with consistent growth rates hovering around 8.5% for the past decade. Growth has been driven partly by three sources: first very high and increasing levels of foreign aid, which still account for around 50 percent of the state budget (Clément 2008), second a peace/war dividend, and thirdly FDI attracted primarily to mega-projects in the energy, mineral and gas sectors (Bartholomew 2008: 12). It is accepted today that economic development is first of all about building competitive productive sectors that transform the economy structurally. This requires that collective action and coordination problems are settled in conflictual ways (in contrast to solving or reconciling them once and for all, which suggests that conflicts can be done away with).[2] Intriguingly, despite consistent and high growth, Mozambique has seen no transformation of the productive structure of the country, and therefore no structural change either (see Mosca 2011).[3] But the fact that no productive economic transformation has taken place does not mean that important lessons cannot be drawn for Mozambique from what has been attempted .[4] After the GPA in 1992, several sectors and industries were singled out for special treatment and care in an attempt to rehabilitate primarily export-driven cash production, generate jobs in the rural areas, provide social serv-

[1] The GPA ended the prolonged war of destabilisation, which over time became a civil war that ravaged the country from 1977, two years after independence. The *Resistência Nacional Moçambicana* (Renamo) has been the governing *Frente de Libertação de Moçambique*'s (Frelimo) main political foe since the late 1970s. There is ample evidence that Renamo was set up and supported by the Rhodesian government and after 1980 had the backing of the South African apartheid government (Vines 1991). But Renamo also garnered genuine support when it tapped into a whole range of local grievances against the Frelimo ,government after 1977 (see Schafer 2001).

[2] On the relationship between economic development and collective action, see, for example, Whitfield and Therkildsen (2011); Evans (1992); Doner (2009).

[3] An attempt was made to do so along Marxist-Leninist lines after independence in 1975, but it failed and further fuelled the civil war.

[4] All the key markers identified by Whitfield and Therkildsen (2011) for economic development with structural change to take off have in different ways been part of less ambitious sector or industry policies and programmes in Mozambique. This includes mobilizing capital, socializing risks, upgrading industries, learning processes and state intervention.

ices and generally raise the living standards of the population.[5]

This paper will synthesise the main findings from case studies of productive sectors in Mozambique.[6] The research questions that guided the work focused on the following questions. Which productive sector initiatives did the Mozambican government support? Why were they supported? How were they supported (or challenged and ignored)? Finally the project also considered what the outcomes were. In short we argue that productive initiatives are supported when they tap into the ruling party coalition's priorities concerning political survival, whether this means electoral victory, coalition maintenance, state expansion or reforms of the economy and political domain in such a way that regime survival is ensured. We also suggest that ideological projects concerning state unity and the transformation of society are important, just as a certain historical determination is at stake as sectors with a track record for the delivery of political goals are supported. In other words, we are concerned with a particular sector's relationship to the ruling coalition. But ruling coalition and government support alone cannot explain why some sectors are supported and not others. We suggest that, besides political support, bureaucratic support is crucial, as the bureaucracy is needed to act as both an embedded and mediating bureaucracy, something which can often only be found in certain 'pockets of efficiency'. Finally we argue that industry or entrepreneurial holding power is important for understanding the support and success of productive sector initiatives.

The analysis presented in this paper largely confirms the propositions suggested by Whitfield and Therkildsen (2011) for why states decide to support industrial policies designed to promote and advance particular sectors or industries and what kind of policies they actually pursue. The first proposition suggests that political survival is the key motivation for ruling elites in both authoritarian and democratic countries. The second proposition suggests that the need to maintain political power shapes the kinds of policies that political elites choose and support. In particular, the need to maintain ruling coalitions and/or winning elections is important and affects features of the policies that political elites choose, which sectors or industries they support, and how capable they are of implementing them. The third proposition suggest that relatively more successful outcomes of government policy choices and implementation arrangements are based on mutual interests between ruling elite coalitions and economic interests and that the bureaucracies have a special role to play.

This paper explores these general findings by way of four inductively arrived-at key features of attempts to formulate and implement productive sector policies in Mozambique since the mid-1990s. As argued elsewhere (see Buur and Whitfield 2011), in our attempts to understand states support for certain sectors and policies and neglect for others, we found these four factors useful for disaggregating

[5] In general, the structure of the Mozambican economy – which during the 1990s was dominated by agriculture and service provision to an even higher degree than in other southern African countries – has changed with patterns of FDI (mainly aluminium, energy and tourism). For example, the agricultural share of BNP declined from 40 percent in 1995 to 25 percent in 2008, whereas the industrial share – mainly catered for by the operation of the Mozal smelter in Matola outside Maputo – rose from 15 percent in 1995 to around 33 percent of BNP in 2008.

[6] The paper is based on empirical research from the Elites, Production and Poverty research programme (2008-2011), based at the Danish Institute for International Studies. EPP is both comparative and empirical. It includes five country studies (Bangladesh, Ghana, Mozambique, Tanzania and Uganda) and in-depth research on two productive sectors in each country. For more information, see www.diis.dk/epp.

the sector studies into analytical categories which could be related and deducing causal mechanisms. The first is what kind of *sustained political support* from the Frelimo ruling elite the sector or industry has been exposed to, and to what extent. The second factor is the extent to which *'the rules of the game'* have been changed, a reference to the formal and/or informal rules which govern the distribution of economic benefits and resources. Because changing the rules of the game almost always produces resistance from the losers, it requires political support to do it. For example, in one of the cases pursued here the state bureaucracy and the government decided to renegotiate the rules of the game away from industrial fishing by transferring quotas and licences to a national semi-industrial fishery in order to create an onshore processing industry. This failed because political support vanished due to elite factional resistance, as well as the interests of the bureaucracy in charge of implementing the decision. The third factor therefore involves the extent to which the state organization involved in the process was characterized by what we have called an *embedded and mediating bureaucracy*. The fourth factor involves the level of *organization* among sector/industry actors and institutionalized interaction between the sector/industry and the state.

Case-studies and economic outcomes

The paper presents findings related to two in-depth case studies of the implementation of the sugar rehabilitation strategy and the Master Plan for Fisheries that targeted promotion of the semi-industrial fishery subsector, which will be related to two minor case studies of the cashew industry and the poultry sector respectively.

The *rehabilitation of the sugar industry* is probably the most successful case of a productive agricultural sector initiative which has managed over several decades to maintain support and achieved considerable results. After independence in 1975, the Mozambican government tried state intervention and nationalisation to run the six sugar estates situated in the south and centre/north of the country, but by the mid-1990s the industry had come close to a complete standstill. From the mid-1990s, when a strategy for rehabilitation was elaborated by bureaucrats from the National Institute for Sugar with competent consultancy assistance and approved by the Council of Ministers, four out of six sugar mills were rehabilitated with and through foreign direct investments and state guaranteed loans. The industry today employs around 40,000 workers (part- and full time), has developed a national distribution network for sugar and has substantial exports of sugar, primarily to the EU. The industry is a net provider of skilled workers for the Mozambican industry in general and has more recently opened up small- and medium-scale cane production broadening access to the industry. For the future, new investments have been approved, both for reconstructing another of the former estates and for venturing into cane-based ethanol production. In other words the sector has experienced considerable economic success with sustained political support.

The Master Plan for Fisheries from 1995 envisaged the *development of a national semi-industrial processing sector* based on: 1) the transfer of rights (quotas and licences) to the national industry from the industrial fishery sector made up of state and joint ventures between state and private actors and multinational companies; and 2) a strong linkage to the small-scale fisheries sector (SSF), also known as the artisanal sector, as providers of produce for onshore processing. The semi-industrial sector became anchored in the bureaucracy of the artisanal sector and was mostly ignored by it, as the bureaucracy concentrated on securing the existence of a stand-alone artisanal sector and developing that sector through donor projects. The industrial sector and its bureaucracy did its best to dilute the attempt to change the rules of the distribution of rights and benefits, and were highly successful. The industrial sector had been one of the key sectors for transferring rights and benefits to top echelon party leaders and bureaucrats after the privatisation of the sector and the GPA in 1992, as quotas and licenses could be sold on, providing quick and lucrative economic rents for ruling party coalition members. In other words, the attempt to develop a semi-industrial fishery sector failed, as it did not receive support from the ruling party coalition and more specifically the artisanal and industry bureaucracies.

The *cashew industry* was a priority sector for the Mozambican government, as sugar was after the GPA. Before privatisation and liberalisation during the 1990s, the cashew industry benefited from export restrictions on raw nuts in order to protect and secure sufficient volumes for the local processing industry. With liberalization making it more profitable to export raw cashews, the industry broke down. The government wanted to protect the cashew industry by directing raw cashews towards it in order to maintain jobs in former opposition areas. However, it was pressured to stay away from protection and gave way. The pressure was partly external – the World Bank – and partly internal: with liberalization, new exporters emerged affiliated to the Frelimo party. An initially unintended consequence of the breakdown of the processing industry is that, while it removed much-needed employment from key urban constituencies, this also allowed the ruling Frelimo coalition to acquire better control over accumulation patterns, thus starving the opposition of support. Since the first national elections in 1994 and local elections in 1998, all opposition victories have occurred in areas where some free economic accumulation has taken place. As accumulation and economic processes have been tightened and concentrated in the hands of party members and affiliates, Frelimo today has taken election control in all provinces and local elections except for Beira. Since Frelimo's electoral success in the key cashew-growing areas in the north, particularly in Nampula, the industry has been revitalized based on a government-negotiated and -monitored transfer of raw cashews from export to the processing industry. In a short time span the industry has been revitalized, with new adoptable technology being provided by an international NGO. More than 9000 jobs have been created at 18 cashew-processing units, with 39% of all cashew being exported and 37% used at the many new factories (Club of Mozambique October 20, 2011; CTA Newsletter No. 70). Support for the industry was initially impeded and it was closed down, with devastating economic results for labour, the provincial government, local communities and some private investors who had come into the sector during the privatisation drive. It has since experienced economic success, with new investment and both state and donor support for the raw cashew-producing sector too.

The *poultry sector* was initially promoted as one way of making edible oil production sustainable, (left-over products being used to feed poultry) after the GPA, but as the economic recovery took shape it was targeted a way of promoting different primary value chains (soya, sunflower, corn etc.) and as a stand-alone sector feeding the livestock and processed frozen-food urban markets. The sector has struggled despite its obvious advantages for the Mozambican economy. Both the urban processed frozen poultry market and the livestock market have been undermined by cheap and uncontrolled imports of poultry by large trading houses aligned to the ruling party coalition. The practice was briefly stopped in 2009 for the first time when the newly established Association for Poultry Producers (AMA) successful managed to bring the problems to the general public's and Frelimo's attention, but it soon resumed, and this has been the pattern since. Cheap poultry from Brazil has undermined the local market with its low prices. The industry has therefore struggled to take off and assist in the creation of follow-on production in livestock, primary value-chain production and edible oil, which is also imported by many of the same trading houses. While it is a government priority to develop a national poultry sector, by and large this has been ignored in favour of the interests of key financers of the Frelimo party. Thus there are individuals and financers within and aligned to the ruling coalition that weigh more than the establishment of a broad-based national poultry sector. In other words, the sector has been ignored and economic development hampered.

In the framework from the EPP, programme proposition three is concerned with the conditions for achieving good economic outcomes emphasizing mutual interests between political elites and business, and the ability of the political elite to create 'pockets of efficiency'. This synthesis analysis will present the results of the various outcomes summarized above in greater detail. The case studies presented here suggests that, even though the promotion of a particular sector or industry can very well be aligned to the survival of the ruling party coalition and even powerful factional interests in a variety of ways, as well as supporting key ideological positions and being important for winning elections, there is no guarantee that this political support can be sustained. A key issue seems to be that, when there are simultaneously strong factional interests that benefit economically from changing the rules of distribution on the one hand and from maintaining them on the other, it is very difficult to sustain support for the change, as it will pit one factional interest against the other and thereby undermine the survival or reproduction of the ruling coalition.

Secondly, what is equally clear is that, even though the organization of power in Mozambique is such that it is the same party, organized in more or less the same manner, and the same group of top Frelimo party leaders that has been in charge since independence, it is crucial to grasp how factional conflicts are settled in a way that maintains cohesion and unity for understanding how productive sector initiatives evolve. This is particularly the case when it comes to plans or attempts to change what we refer to as *'the rules of the game'*, that is, the formal and/or informal rules that govern the distribution of economic benefits and resources. How conflicts are played out and mitigated over time is crucial for a successful outcome for a productive sector, bearing in mind that support can change over time.

Thirdly, this synthesis analysis makes it clear that the bureaucracy in general plays a crucial role in productive sector developments. It can operate as an embedded and mediating bureaucracy from the organizational basis of what the business-state literature calls 'pockets of efficiency' (Evans, 1997: 72), dealing with conflicts and liaising between state, government and industry or sectoral interests. But it is equally clear that the bureaucracy can also be one of the most important obstacles to productive sector or industry development. Furthermore, as some of the cases illustrate, sometimes the best 'place' for the bureaucracy is outside the state, allowing 'bureaucrats' to take on roles that would be difficult to pursue within state structures.

Finally, as the case studies illustrate, productive sectors and industries in Mozambique are generally very weak if they are not driven by foreign direct investments, as local economic entrepreneurs have limited organisational, economic, technological and human resource capacity, i.e. what jointly constitute holding power. Many other issues are raised and highlighted, but these are the four we want to emphasize here.

Structure of the paper

Section Two briefly presents key features of the political settlement in Mozambique, including the organization of the ruling coalition and key factions, as this is important for understanding the subsequent analysis of productive sectors and industries in the country. Section Three analyses the four sectors by relating political support for the initiatives to the capacity to enforce changes to the rules of the game governing the formal and informal distribution of rents and benefits. Section Four analyses the specific roles played by bureaucracies in the productive sectors. Section Five considers the relationship between organization among sector/industry actors and institutionalized interaction between the sector/industry and the state, as well as the holding power of sector/industries.

2. KEY FEATURES OF THE POLITICAL SETTLEMENT

One of the most striking features of the organization of power in Mozambique is that it is the same party, and more or less the same group of top Frelimo party leaders, that has been in charge since independence. They have largely been able to stick together through the ideological shifts of the mid-1980s, the multi-party dispensation of the 1990s and the first part of the new millennium, despite substantial differences, conflicts and tensions within the Frelimo ruling coalition. This ruling coalition is still organized in and around the Frelimo party after surviving three leadership changes in the ruling party: Samora Machel, Joaquim Chissano and Armando Guebuza.

The analyses of sectors in this paper concentrate on the period of the presidency of Joaquim Chissano from 1986 to 2004, but they also touch on the Guebuza period from 2004 to the present. But as the main changes with regard of how the political settlement evolved after Guebuza came to power in 2005 has had little bearing so far on the four productive sectors analyzed in this paper, this period will not be dealt with separately. During Chissano's rule it was not just the same ruling elites but the same faction among the ruling elites that ruled, spanning economic reforms initiated from mid-1980, the General Peace Accord (GPA) ending the civil war in 1992 and the introduction of multiparty democracy in 1994. However, this does not mean that conflicts within the ruling party coalition have not persisted, or that these dynamics are not important for our analysis. Later sections of the paper highlight some of the tensions and how they were overcome so that the outcome was sustained support for some policies, like the sugar rehabilitation during the Chissano period, while other sectors and industries, like the semi-industrial fisheries, the cashew industry or the poultry sector, experienced highly mixed results.

When Chissano took over, he inherited an authoritarian party coalition at war and was initially vulnerable because lower levels of the coalition became increasingly frustrated because their expectations could not be fulfilled. Frelimo's control over the population and territory since independence had been rather fragile, except for the less populous southern and extreme northern provinces, from where most of the Frelimo leadership emerged and where Frelimo's post-independence policies had the greatest resonance (see Sumich and Honwana 2007). At independence, the party was not entrenched in a majority of provinces, particularly the populous northern provinces of Zambezia and Nampula (which combined account for half the population), while the central provinces of Manica and Sofala had been left relatively unscathed by the independence war. Thus after independence Frelimo still had to acquire control over the rural hinterlands, and this often became, if not directly a violent process, then at least a quite forceful course of action (see Mosca 2011), which gradually escalated as the destabilization war turned into a civil war during the 1980s and Renamo took control over up to 80 percent of the national territory. In general, the civil war with Renamo turned increasingly into territorial and population contests in which both parties tried to conquer as much territory and control as much of the population as possible before the peace accord in 1992 (see West 2005). But the government was also vulnerable because Frelimo *de facto* governed a limited part of the country with an economy that had partly become a barter economy and with a state apparatus with limited capacity to implement political decisions (this is the lesson to be taken from Mosca (2011) for agrarian policies).

The constitutional change in 1990 institutionalized a shift from a one-party state to a multiparty democracy, and the 1992 General Peace Accord that ended the civil war also to some extent rewrote the rules of engagement, since elections every five years could formally change the government. The Chissano administration used negotiations leading up to the transition to multiparty democracy to secure a deal that favoured the Frelimo regime and gave the party an advantage before the multiparty elections in 1994, so it could maintain control over the state apparatus and, through it, the economy. It secured a form of 'winner takes all' political system in which power was centralized. For example, the president had the power to appoint governors of provinces, district administrators and most important offices in the state and government system. As a result, the ruling Frelimo coalition could exclude the opposition party Renamo from taking up executive political positions after the 1994 elections, despite Renamo winning the elections in a majority of provinces, since it had lost the elections overall, albeit narrowly. Constitutionally Chissano, who won the presidential election, had the authority to decide if any of Renamo's political leaders should be appointed as provincial governors, district administrators and so on. In the first national elections in 1994, as well as the 1999 elections, Frelimo lost heavily to Renamo in a majority of the populous northern provinces (Nampula and Zambezia) and the central provinces of Tete and Sofala.

The key constituencies aligned to the ruling Frelimo party coalition changed over time from peasants/workers after independence to state functionaries, and later, after the reforms of the 1980s, expanded to include emerging business groups in communications, tourism, minerals, fisheries, energy and trading. The business groups aligned to the ruling party – a mixture of bureaucrats, former military leaders, ministers and party cadres – became an important constituency in the ruling coalition and in return benefited from privatization and access to state contracts. The lower-level factions of the ruling coalition were not very strong, and hence had little influence within the coalition except in the run-up to elections, as they were needed in the tight electoral contests with Renamo in the 1990s. Privatization and other government policies were used as a means both to maintain a strong state presence in the economy (see Pitcher 2002 and Buur 2011 forthcoming) and to accumulate private wealth by members of the Frelimo ruling elite (see Hanlon 1996; Hanlon and Smart 2008). Out of these processes, an embryonic business group is slowly emerging that forms a key constituency of the ruling party coalition.

Where some of the sectors and industries formed part of accumulation processes, others had a different political purpose and in some cases fed into both accumulation and these other political purposes. The Frelimo-controlled state needed to do something to increase its political support in rural areas, particularly in Renamo strongholds in key electoral provinces. Some productive sector initiatives, like the rehabilitation of the sugar industry or support for the cashew sector and artisanal fisheries, were a means through which Chissano's Frelimo sought to link up with populations and territory in the central and northern provinces and/or to provide jobs for key southern constituencies after 1994. For example, all the rehabilitated sugar estates/plants were situated in areas that, by the end of the 1980s, were either controlled or strongly influenced by the opposition forces of Renamo or where Frelimo needed to realign itself to key constituencies. The same can be said about the cashew industry and the semi-industrial and artisanal fisheries, where cashews, for example, had also provided some of the few job opportunities in the cities in the northern provinces. In most of these areas, Frelimo lost the 1994, 1999 and 2004 elections. By creating job opportunities and supporting the extension of or directly providing services like health, education and electricity and by rebuilding destroyed infrastructure and communication networks, the sugar industry, for example, allowed the Frelimo government to provide jobs and income opportunities for demobilized soldiers and slowly to assert its control over, reorganize and forge new relationships with formerly 'hostile' populations. The artisanal fishery sector served much the same purpose, even though it was mainly based on subsistence economic behaviour. In other instances there was a need to close down economic opportunities in order to hamper the financing of opposition groups and factions, as we suggest was the case for the cashew industry, when opposition success became linked to relatively free economic accumulation, be it from the Nachla or Beira corridors (port, rail, road, fuel pipelines for the interiors of Zimbabwe, Zambia and Malawi) and semi-industrial or industrial processing (like cashews and fisheries). These strategies were quite successful over time. By 2008 and 2009 Frelimo had won both local and national elections in former Renamo areas like Marromeo along the Zambezi River, where one of the sugar factories is situated. Besides Beira in Sofala, by 2009 Frelimo had also taken control of all provinces and municipal areas.

If electoral pressures were one important reason why the sugar sector was targeted and if this was a general concern and other sectors like cashews, semi-industrial fisheries and so forth could assist in this endeavour too, then why did they not succeed and receive similar political support? As we will suggest below, electoral pressures were not the only reasons, and maintaining the coherence of the ruling party coalition (initially the driver of the lack of support for the cashew sector) or financing of the party and individuals (as we suggest was the case for the poultry sector) were equally important, which sometimes pitted different political drivers against each other. But one thing is clear: the crisis following the GPA did create longer term policy visions, even if they were not developmental transformations of the economy.

For example, before the General Peace Accord in 1992, the Chissano administration singled out territorial and population control as key factors, for two reasons: (1) winning over the large central and northern populations would be crucial for the legitimacy and survival of the Frelimo regime dominating the political organization of power in Mozambique; and (2) the untapped natural resource endowment in energy, minerals and oil was in many cases entirely situated in Renamo-controlled areas (both colonial Portuguese and later post-independence Soviet and post-GPA Norwegian surveys had by and large mapped the enormous mineral, gas and oil potentials, which, in contrast to Angola, never became a driver of the civil war, partly because no attempts were made to tap them). As part of preparing for the ending of the civil war, a specialized agricultural 'task force' was constituted by high-level members of government ministries and state institutions and tasked with identifying potential agro-industries (sugar, cotton, cashew, etc.), including processing possibilities for the fishery sector, that could provide rural income opportunities and crucial export revenues. Equally important was the sector's capacity to provide a certain degree of service provision, so that the heavy influx of people to the cities could be stopped and demobilized soldiers would see a future in the rural areas, as well as presenting the Frelimo government as more benevolent than many rural populations had hitherto experienced.

Some sectors like the sugar sector (though the cashew industry and the potentials of the semi-industrial fishery processing served the same objective) were identified as core strategic industries based on post-independence policies that referred to the potential of the sugar industry, due to its 'superior track record as an export commodity' (interview, CEPAGRI 2008), as well as its capacity to industrialize and 'urbanize' the rural areas, where 'monetizing rural economies' changed labour relations and turned docile labour into modern workers (see Buur et al. 2011). This concern for providing superior, quasi-urban social services in housing, education, health and water, besides changing rural labour relations from barter towards exchange based on money, had a particular historical and ideological background. After independence and the Third Frelimo Congress in 1977, when Mozambique formally became a one-party state, its economic and social policies tried to create a new type of modern person – the 'New Man', who should run the 'New Society' with a 'People's Economy' (Buur 2010). The transformative capacity of industry in general and the sugar industry in particular had ideological underpinnings related to modernization of the rural areas, which, after the end of the civil war in 1992, would take place through and with capitalist relations. As both socialism and capitalism are based on a concept of modernization, switching from socialism to capitalism in order to achieve modernization was not as hard as would first seem. The fact that productive sectors such as the sugar industry could tap into such a long-term ideological project of Frelimo meant that members of the ruling coalition who were strongly against the turn to a mixed capitalist economy could still find reasons for not rejecting it outright and directly working against the rehabilitation project. In the case of the cashew industry, the political aim of maintaining the ruling coalition and later on starving off support for the opposition meant that the productive sector was impeded for a period.

The intense focus on social service provision and infrastructure within the sugar rehabilitation process, for example (or the artisanal fisheries for that matter; see Buur and Baloi 2011, forthcoming), engendered electoral support. The creation of employment opportunities for lower level factions of the Frelimo party worked to maintain the Frelimo ruling coalition and expand its political support among the electorate. Whereas the sugar estates and plants did not become profitable until after 2008, there were immediate benefits from the rehabilitation in terms of job creation, service provision and infrastructure development. It is, therefore, not totally wrong to argue that this was a strategy to build political support that had a long time horizon, and it took almost a decade to bear fruit in the voting booths. Frelimo could wait because it controlled the state and increasingly the commanding heights of the economy.

For the sugar sector, for example, the key question that arises is why the Frelimo ruling elite (or a significant portion of the factions that comprise it) chose to mobilize political legitimacy, and thus political support at election time, by developing an agro-processing industry, rather than broadening its political support through 'side payments to popular sectors'? Moving beyond the sugar sector, the broader question is why ruling party elites choose or manage to establish sufficient consent to promote some sectors over others. As will be clear from this paper, for the sugar sector we suggest that the Frelimo ruling elite faced significant internal threats (concluding a civil war and facing limited political support, with large parts of the population opposed to it) and lacked the resources with which to make easy side payments, constraining them in their options, but pressing them to do something. The outcome was different for other sectors, as, for example, resources (rents possibilities, for example) were available from the industrial fishery sector, permitting the inclusion of high-level party coalition members (military, bureaucracy and political), which would have been slowed down in the short to medium term by being transferred to the semi-industrial sector. This obstructed a transfer of rights and quotas from the industry towards building up a national processing industry. But the artisanal fishery bureaucracy entrusted with promoting the semi-industrial had other objectives and did not provide any support, which taken together by and large accounted for the failure of the semi-industrial fisheries. In the poultry sector, on the other hand, where payment for electoral campaigns, financing the party and individual high-ranked coalition members were catered for by important aligned party trade groups. This led to attempts to support the poultry sector being ignored.

The political and economic aspects of political settlements

The framework for a political settlement initially elaborated for South Asia by Mushtaq Khan (1995) argues that the motivation behind networks which lock state and government elites into engagement with entrepreneurial capitalist business groups is first of all economic. Khan analyses such relationships as patron-client networks and suggests that they created economic growth in South Asia, as patron-client relations constituted a rational and pragmatic response to economic and political limitations in that they concern the financing of relatively stable political settlements that allow for growth enhancement. As such, patron-client relations are common to all developing countries and are distinctly modern, just as rent-seeking is. Khan's definition of rents, which refers to various kinds of benefits generated by political intervention (Khan, 2000), can be very positive. Whether rents created by political intervention, such as the protective surcharges on sugar in Mozambique (see Buur et al., 2011), have positive or negative developmental outcomes cannot therefore be decided a priori. Indeed, rent creation and rent-seeking can be both efficient and desirable for state and government when rents are generated for the survival or enhancement of a productive industry that underpins a political settlement.

While this type of relationship between state/government and business entrepreneurs, which obviously comes in many forms, can be perfectly correct for Asia, it is not certain that state and ruling coalitions and elite actors in Mozambique engage with business groups solely for economic reasons. As will be illustrated below when discussing why state and government actors promoted and supported the different productive sectors in Mozambique, although there were 'economic incentives' for rehabilitating the sugar industry, building up a semi-industrial processing industry for fisheries, maintaining a cashew industry and promoting the poultry sector, in all these cases the economic benefits were so far in the future that they were of a very different nature to those described by Khan.

We therefore suggest that the 'incentives' driving the productive sectors dealt with in this study were first of all political rather than economic. The political settlement approach is therefore valuable, as it points us in the right direction and forces us to consider the relationship between economic action and political relationships. By making it solely a question of economic reasoning, of financing the political settlement, Khan's answer to his important question is of limited value for the sectors studied here, as it is not productive business entrepreneurs who finance the political settlement: it is first of all donor aid, in combination with the revenues generated from trade, consumption, natural resources and parastatals. Here large trading houses have a privileged position and constitute an important funding source for the ruling party coalition. So what we take from Khan is the importance of understanding the productive sectors in political terms more than economic ones when seen from the perspective of the state and political leadership promoting a productive sector. But it is very often economic interests from specific trade regimes, aligned to individual or ruling coalition faction interest, that constitute the main obstacles to successful implementation.

In this paper we shall attempt to account for the differences between the sector outcomes and the relationships between political and economic interests by exploring four factors: 1) sustained political support by the government leadership; (2) changing the 'rules of the game' that govern the distribution of economic benefits and resources; (3) the existence of an embedded and mediating bureaucracy; and (4) the organization of industry/sector actors and institutionalized interaction between industry actors and state actors.

3. THE IMPORTANCE OF POLITICAL SUPPORT

For productive sectors like sugar, fisheries, cashew and poultry, despite their assisting the ruling Frelimo party coalition to remain in power, there was probably no productive sector that did not at the same time encounter resistance or neglect as plans for rehabilitation and implementation were embarked on. How, then, do we understand the importance of political support or even 'sustained political support', which, as we have argued elsewhere (Buur and Whitfield 2011), is important for understanding the successful implementation of productive sector policies? The fact that ruling elites like the one surrounding Frelimo choose certain policies and implementation arrangements with an eye to maintaining power, in particular to maintaining ruling coalitions and/or winning elections, is probably correct at a general level for all the policies that are embraced. In light of this, what, precisely and concretely, does the Mozambican case study teach us about political support? According to our analytical framework, certain features of the policies that political elites choose, which sectors they support, and how capable they are of implementing them should be directly related to their priority to remain in power.

We suggest that a continuum between the extent to which a productive sector benefits and supports the ruling party coalition on the one hand, and benefits only specific elite factions or individuals on the other, is key (an important vector) for understanding the question of sustained political support since the GPA, both during the Chissano reign and well into Guebuza's period. We argue that, when individuals and specific factions benefited, then it was less easy to overcome the conflicts that inevitably emerged, and the more particular coalition factions benefited, the greater the likelihood of failed support and giving in to conflicts. This understanding comes very close to the concept of holding power that refers to 'the relative dimension of power of an organization (an organized group of people, industry or sector), as it is the function of its ability to hold out in actual or potential conflicts against other organizations like ruling party coalitions, elite factions or the state (see Whitfield and Therkildsen 2011, note 27). This concept emerges from Khan (2000) and has been used to describe the combination of organizational and economic power seen from the perspective of economic entrepreneurs or capitalists. Here I use the concept to describe not only the capacity of economic entrepreneurs to withstand, surmount and prevail over conflicts, but also the ruling party coalition when the aim is support for a productive sector or industry. Understanding the important capacity to surmount and prevail over conflicts becomes clear when we consider the conflictual aspects of the policies under consideration, particularly when there was a need to *change the rules of the game*. By this we refer to the formal and/or informal rules which govern the distribution of economic benefits and resources.

The sugar sector market: sustained support

After independence in 1975, when sugar-producing companies either became nationalised or the state intervened in them as the civil war intensified after 1980, this affected the industry so badly that by the mid-1990s companies had either closed or were operating at very low capacity due to depletion or destruction. Since the mid-1990s the Mozambican sugar sector has been undergoing a steady process of rehabilitation, involving both partial privatisation and large-scale foreign direct investments (FDI), in both cane production and sugar processing and refining capacities. The result was a steep increase in imports of sugar, making different regions of Mozambique dependent on official and contraband imports. In the case of sugar, the state bureaucracy and the government renegotiated the rules of the game away from sugar importers and informal traders, even though they were individual top elite coalition members or aligned to elite actors and in favour of national sugar producers (Buur et al. 2011). Through a flexible surcharge on imported sugar an internal market was created, making it feasible to produce sugar in Mozambique and service the cost of rehabilitating the industry. The sugar sector received political support so the implementation of the surcharge and concomitant fight against contraband sugar imports was carried out by a broad spectrum of state institutions at different social levels, involving the police, custom authorities and the military, as well as national, province and district government authorities.

The global sugar industry is generally based on production for home markets.[7] In Mozambique a protected internal market was necessary in order to create a favourable milieu that could mitigate the effects of the volatile world market based on setting dumping prices. The initial rehabilitation of the industry had to be paid for and new investments stimulated that promoted efficient production to make the industry competitive internationally. Furthermore, the internal market was necessary while negotiations with preferential markets were continuing. When rehabilitation of the sugar industry began, there were no substantial and favourable trade agreements in place that gave access to preferential markets that could cover the costs of rehabilitation, technology upgrading and workforce training.[8]

Establishing a protected market for sugar had implications for the distribution of benefits and resources in several ways, some of which had detrimental effects for very specific groups and individuals connected to the ruling Frelimo party coalition. Most importantly it challenged trade monopolies and the informal (contraband) sugar trade in order to create the space for an internal, formal, tax-based sugar market founded on Mozambican sugar production. Traders lost out on quite lucrative finance streams from importing or smuggling cheap sugar set at world market dumping prices. Another group in the ruling coalition that felt the cold wind blowing was in the transport sector when their trucks were stopped, and others were in well-connected trade houses who were known for contributing to the financing of both individuals and the Frelimo party. Furthermore important constituencies of Frelimo based in the south of the country saw their special migrant importation schemes allowing for monthly sugar quotas withdrawn as transport companies

[7] Some countries, like Brazil, diversified the home market early on, with, for example, conversion to ethanol, so either sugar or ethanol can be favoured depending on the world market prices for sugar, ethanol and oil.

[8] A smaller preferential trade arrangement with the US – amounting to 1.3 per cent of total US imports – allowed Mozambique to export between 14,000 and 26,000 tons during the 1990s, stimulating a small increase in production for a period (INA, 2001: 4). In the 2000s, developments in the European market and mechanisms such as the Economic Partnership and Everything but Arms agreements created favourable conditions that allowed unlimited access to the European market from 2009. For a history of the EPA and European trade agreement, see Goodison (2007). Ironically, this happened exactly when world market prices skyrocketed and honouring the agreement with the EU was less favourable than selling unilaterally through the free market. But, as history has shown, relying on the free market would sooner or later kill the industry, which made the Mozambican sugar industry cautious about burning any bridges to preferential markets.

owned by top echelon faction members used them for their own benefits.

As top members of the party were involved in economic partnerships with powerful importer groups transporting both legal and contraband sugar, both formally and informally, there was considerable resistance to the new sugar regime, and these different party-aligned factions tried in various ways to undermine the implementation and enforcement of the pricing policy. That different party factions were pitted against each other could have derailed the policy, as happened in other sectors (see below), but in the sugar sector, while the reforms took a beating, they were not derailed.

This was partly because the party factions in favour of the new regime were primarily top party, government and state bureaucrats who were in charge of the liberal reforms initiated after 1986, including bringing in foreign investments, the customs reform which the pricing policy with the flexible surcharge informed, and privatization. The state bureaucrats from the National Sugar Institute supported the sugar strategy as they wanted the industry to regain its importance, and gradually an embedded and mediating bureaucracy working for the reforms was formed. Furthermore its supporters could enlist and incorporate support from unlikely foes. One important and powerful state-party faction was the ideologically conservative old guard concentrated around some of the founders of the Frelimo from the 1960s. For ideological reasons they were in favour of a national industry, but they were very uncomfortable with foreign direct investment, which they saw as a wrong turn, even though they acknowledged that the turn to a mixed economy 'did make the situation better in the short term', though it would only 'be a question of time before Socialism would return' (see dos Santos, quoted in Manhice 2011: 20).[9] They nonetheless reluctantly supported the sugar project and were important in winning the internal battle in the party. Here the transformative capacity of the industry, with changed labour relations, industrialization of the rural areas and the concomitant expansion of the state apparatus into the rural hinterlands in the central of the country, helped persuade them to support the industry. Another huge carrot was that through the sugar industry the party could access and win over key electoral constituencies that historically had been hostile to it.

The creation of a protected internal market through a surcharge on imported sugar became the litmus test for state and government commitment to the sector. The coordination needed between national ministries, provincial and regional authorities and harbour and border control entities eventually led to a major overhaul of customs and immigration structures, as well as migration and importation schemes. This in turn affected investment policies already in place and threw a major spanner in the works for Indian family trading houses, which had been earning well from the importation of and informal trade in cheap sugar. Challenging these trade monopolies required considerable powerful political support and continued and skilful liaison, both within the governing party and with external actors, as the trade lines often spanned several continents and had strong economic holding power and internal cohesion, besides paying the Frelimo party and individuals generously for protection. Political support and coordination became centralized

[9] For Macelino dos Santos, one of the founders of Frelimo and former vice-president, the return to socialism, or more precisely 'the party as Marxista-Leninista', would be the preferred option even today in order to mitigate the economic crisis (dos Santos, quoted in Manhice 2011: 20).

around a high-level 'task force' chaired by the finance minister and comprising relevant ministers (trade, agriculture, etc.), department directors, high-level industry players, labour unions and so forth, with the National Sugar Institute in charge of monitoring the implementation of decisions. This arrangement became mirrored at provincial level in the key provinces of Maputo and Sofala, where governors chaired the 'task forces' and were accountable for implementing decisions.

Moving from imported sugar to nationally produced sugar also had implications for the upstream industries, primarily in the beverage sector. This sector had been the site of considerable investments by big multinational companies and members of the newly created Mozambican economic elite who received shares, which became an important constituency of Frelimo after the first and second waves of privatizations running through the 1980s and 1990s. The shift from imported sugar to national sugar production increased the price of refined sugar considerably, up to two or three times after the surcharge was implemented. Some beverage industry actors speculated in setting dumping prices (for example, Coca-Cola) and protected the need for imports by requiring a certain refinement level for the sugar used in soft drink production, which was not available at that time in Mozambique, or if it was available it was produced up-country in Sofala, making its use by the companies in Maputo excessively costly. In the end, a compromise was struck whereby upstream industries bought sugar from the sugar industry at a favourable price that was considerably lower than the reference price used for defining the surcharge, and white sugar was provided for the now considerable local beverage industry, including fruit juice, beer and soft drinks after a 'tollgate refining', where brown sugar was exchanged for white sugar from South Africa and the price difference was paid by the Mozambican sugar industry (see CEPAGRI 2009; interviews, DNA 2009, 2010).

As the surcharge began to take effect after the turn of the century the IFIs – fearing that Mozambique was returning to its former, centralized-command type economy characterized by supporting inefficient state economies and hindering free trade – used the conflict with the beverage sector to contest the right of the government to enforce the surcharge if it wanted to continue to receive IMF and World Bank support. The government responded with an all-out battle, enlisting support from all government levels, from the top echelon, of the President and Prime Minister to ministers, the banking sector, private-sector organizations, and, not at least, critical left-leaning journalists, to ensure that the first question raised and discussed would be the need to promote a national sugar industry. In the end it secured both the continuation of IFI loans and the right to promote the sugar industry.

Lastly, the steep price rise was passed directly to urban consumers and ordinary citizens, as over time as the industry managed to set up and expand its national marketing and distributional network to the rest of the country. This happened during Chissano's last elected period of 1999 up to the local elections in 2003 and national elections in 2004. While the surcharge measurement underwent adjustments after the first period of implementation and was downsized in 2003 for raw sugar and 2004 for refined sugar (LMC 2004: 5), this was 'relatively fair' according to FDI industry actors, as it did not undermine industry needs to pay back loans and generate funds for new investments (interview, executive director, sugar estate, 2008).

In conclusion, despite concerted, multi-faceted and extremely powerful resistance from a variety of sources – individual coalition members, financers of the coalition, key constituencies and even powerful IFI's – the rehabilitation of sugar received continued political support because it helped hold the ruling coalition together and maintain the continued control over Mozambique by the ruling party coalition by winning over electorates and re-establishing state bureaucratic control over both territory and population.

The fishery sector: failed support

The story of the sugar sector stands in stark contrast to that of the semi-industrial fisheries. The industrial fishery sector, which first emerged during the late colonial era, became increasingly important for the Frelimo government during the 1980s as the war spread, as it was the only export sector that expanded and brought substantial foreign currency revenues into the country. By the mid-1990s there were about 80 semi-industrial vessels of less than 21 metres and 170 larger vessels. Around one-third of all the vessels were owned by joint ventures between large foreign companies and the Mozambican government, a structure established since independence with a smaller share owned by the Mozambican parastatal *Emopesca*.[10] The processing industry was small, consisting of both larger and smaller facilities, and was in dire need of investments after it had undergone a process of slow depletion and later privatization, which had primarily been driven by a race to secure access to lucrative licences and quotas instead of investments in productive equipment and processing.

[10] As in the sugar sector, foreign partners in joint ventures brought in capital and fisheries expertise, as well as boats and access to marketing. Later joint ventures made the exchange even more unequal, as the local partners were those who offered political influence and/or access to quotas and licenses which could be sold on for lucrative strategic rents (see Standing 2008: 17 for the notion of an ideal local partner in joint fishery ventures).

In order to make sure that the social and economic benefits of the fisheries were optimized for Mozambique, a Master Plan for Fisheries, finalized in 1994, was drawn up with at its core a change to the rules of the game stipulating a redistribution of quotas and licenses from the industrial sector to the semi-industrial sector in order to assist with developing a national, value-added processing industry. The motivation behind this policy was clearly to ensure increased value-added in Mozambique and to move away from a situation in which it merely played a passive role in the exploitation of its natural resources. It was expected that donor funding to the tune of USD 95 Million over a five-year period would finance the development of a national industry with catch freezing facilities, expansion of the fishing fleet and by-catch capacity, all managed by the bureaucracy anchored in the small-scale fish sector institute, IDPPE. The idea was to ensure that fish produce was landed onshore by a fishing fleet with limited freezing facilities so that a national processing industry could be established, bringing the benefits home instead of letting them arise at sea on larger trawlers, where there was limited job creation or control over the actual harvest.

With liberal reforms, the top echelons of the elite from the party-state had privileged access to and information about the sector. With privatization, a group of top state and Frelimo party officials received shares in many of the privatized companies and subsequently participated in their management, where the 'transformation took place in a vacuum [where] large industries were transferred for a song, often to well-connected people with a past in Frelimo or the government' (Adam 2008: 16).[11] The semi-industrial fleet exploited primarily shallow-water shrimps and the industrial fleet deep-water shrimps, which were frozen and packed on board and in most cases loaded straight on to larger transport vessels at sea, leaving little to be done on shore. Where some of the quotas for exploiting the lucrative shallow-water shrimps were given to owners of vessels, the total number of quotas distributed far exceeded the fleet that received concessions. This left important strategic quotas for sale to fleet owners interested in maximizing their capital investment.

The organization of the industrial sector was not optimal for the Mozambican economy as the foreign currency costs were relatively high, since nearly everything for the industry had to be imported, and employment benefits were very low given the volume of finance utilized. Furthermore, in contrast to the semi-industrial fleet, the industrial fleet was unable to land the by-catch, which constituted an economic loss of a potential resource for coastal populations. In order to create jobs and spread the wealth of the industry, the Master Plan had envisaged the expansion of only the semi-industrial fleet by license transfer, assuming that it would not be fitted with freezers on board, and thus directing prawn and fish produce towards shore-based processing, while quota redistribution would direct produce towards the semi-industrial fleet.

The Master Plan was diluted in different ways over time. First, and in clear contradiction of its aims, in late 1996 the Mozambican government authorized semi-industrial vessels to have freezers on board, thus undermining the development of a Mozambican semi-industrial processing industry, besides leading to over-exploitation of the resource (Adam 2008: 8-9). This was 'despite contrary *technical advice*' (interviews Ministry of Fisheries 2009).[12] The move was linked to industry attempts at mitigating the effects of the transfer of licences from industry to semi-industry. Secondly the legislation and regulations putting the Master Plan into force were quite inadequate. There were initially no provisions to clarify what type of semi-industrial fisheries were intended. The reaction of the industry – the major companies, joint ventures and top echelon party members with interests – was to create semi-industrial companies. A range of companies emerged under the legal specifications for semi-industrial companies, most notably, *Pescamar* (controlled by Spanish companies) created *PescaBom*, and *Efripel*, the second largest company (controlled by Japanese companies), created *Copoic*. The new semi-industrial fleet used the same technology as the industrial fleet, whereby 'the number of boats did not increase but the efficiency of boats increased' (Afonso 2004: 419). As they had offshore processing technology, the intended policy goal of promoting employment and promoting onshore processing plants could not be achieved.[13]

[11] Particularly, the initial group emerging from Generation September 25 – the *Antiqua Combatentes* – which included the current President Guebuza, who, as Minister for Transport and Ports, came to hold considerable interests in the fisheries and all major ports.

[12] During this period at the Ministry of Agriculture and Fisheries, particular tensions between senior state functionaries and top politicians seem to have surfaced over management measures. The late investigative journalist Carlos Cardoso, then editor of the independent magazine *MediaFax,* published a series of articles between 1996 and 1997 denouncing fisheries management failures and exposing deep disagreements between technocrats and ministers. It is significant that in 1996 two key national directors in the fisheries sector resigned their positions in protest.

[13] The stand-alone Ministry of Fisheries acted to reclassify the semi-industrial boats in 2002 and, in an effort to improve control over fishing, it imposed a limit on the number of boats. The industrial companies reacted by increasing the number of fishing hours. Thus 'the number of boats did not increase but the number of fishing hours increased' (Afonso 2004: 419). When the Ministry reduced the number of fishing hours, the mega companies reacted by increasing the number of fishing nets per boat. As a result, the fishing effort could not be controlled (interviews, National Director, 2008; IDPPE advisor, May 2011; former technical advisor, IDPPE October 2011).

Thirdly, while donor support and funding did initially arrive, donors soon withdrew from the semi-industrial sector as the level of exploitation of key products like shrimp increased through over-fishing and illegal fishing, which by 1994 was already considered to be 'intense' (see the Intellica 2009). This caused key donors, who had supported the sector since its inception after 1975 and who had sponsored the formulation of the Master Plan, to withdraw (see Adam 2008). Another key reason for the withdrawal was donor conflicts, which produced ambivalent responses to the Master Plan. Whereas some donors supported the anticipated changes to the sector with transfers from industry to the semi-industrial fisheries, others were far more reluctant to do so. Donor coordination around the Master Plan was initially weakened when the EU withdrew funding for the unit in charge of coordinating and monitoring implementation of the Plan (Adam 2008). This left the Master Plan easy to manipulate, and the interests involved were manifold. The operation of joint industrial ventures between the Mozambique government and private companies from EU countries, Japan and South Africa were often intricately subsidized by foreign governments in the form of different types of credit lines and conditional aid (Danida 1996). Furthermore the EU had negotiated large and generous social services and agricultural packages, apparently in exchange for certain member countries – like Spain, for example – to have unlimited and uncontrolled access to quotas and exploitation of the fisheries in general. Key questions related to sustainability were bracketed in this process. It was quite clear that there were considerable differences, if not plain contradictions, between general and country-specific fishing interests within the EU and the Mozambique Fisheries Master Plan, which, it should be remembered, aimed to protect the shallow-water shrimp resource on the Sofala Bank from over-exploitation and to promote a national industry (Adam 2008: 27).

Fourthly, in the wake of the privatisation process, and under the policy of promoting a Mozambican business class (República de Moçambique 1996; see also Pitcher 2002), the fishery sector saw many from the powerful *Antigos Combatentes* (veterans from the independence war),[14] as well as senior public officials and technocrats, acquire shares in private companies or access to shrimp quotas. In the name of promoting an indigenous business class, key fishery quotas and companies were allocated, often for a fraction of their value, to individuals and companies associated with the top industrial fisheries bureaucracy and the *Antigos Combatentes*. The industrial fisheries provided one of the main avenues – as it was one of the few sectors at the end of the civil war generating substantial revenues – for transfers of rights and property to the top echelons of the party.[15] Because top state and Frelimo party officials received shares in many of the companies that were privatized, senior public officials from the fishery unit

[14] These are the combatants in the Liberation Struggle (1964-1974), which led the country to independence in June 1975. They are also called *Geração 25 de Setembro*, taking their name from the date of commencement of the armed struggle. *Antigos Combatentes* include formally the members of the FPLM, which fought a guerrilla war against the Portuguese colonial state, as well as political prisoners under the colonial regime and other militants who operated inside the country in the underground, even though the last group is seldom included in practice.

[15] This process continued until 2001, when the then Minister of Fisheries, an *Antigo Combatente* himself, declared shrimp – the most valued and under-pressure fish product – a 'closed fishery', one in which no new licences were to be granted. Based on technical justifications, a moratorium on new licences for prawn fishing in order to curb increasing demands for access to the sector was his way of trying to limit the political bargains to the elite group that had already established itself in the sector (interviews Ministry of Fisheries 2009).

in charge of the industrial fisheries would in many cases also be engaged in or be co-owners of private commercial activities which formally they should have been monitoring and regulating.

Finally, the semi-industrial fisheries became organizationally located within the Small Scale Fisheries or artisanal fishery – the IDPPE – whose bureaucracy's main interest was to protect the artisanal fishery and that viewed industrial fishery with suspicion. There was therefore no bureaucracy to promote the Master Plan's aims, an issue that will be further discussed in Section 4.

Semi-industrial fisheries development clearly confronted many powerful interests competing for the shrimp quotas and licences, both within and outside Mozambique, as the proposed transfer of quotas from the industrial to the semi-industrial sector met severe resistance while also creating new rent opportunities for those receiving access to them, as they could be sold on or leased out to industrial interests. Whereas the industry provided immediate rent opportunities and economic benefits for an important faction at the top echelon of the ruling party coalition, developing a semi-industrial fishery sector could not be done quickly. A transfer to the semi-industrial sector required well thought out strategies, trial and error, time for production processes and learning to take place, and building new institutional capacities and institutionalized engagement between the state and industry that would allow for a national processing industry to gain footing foothold. Political support for the semi-industrial sector would have involved significant investments and allocations of resources and rights allowing for the creation of a national processing industry. Sustained support over a long period was therefore crucial, but was not forthcoming, despite approval of the Master Plan by the Council of Ministers and a general fit with the focus on developing a national industry (which, as Pitcher 2002 has illustrated, had been announced as political priority in general) and raising the economic status of the sector.

Support for the priorities of the Master Plan went against the immediate interests of different top-level groups in society and the international fishery complex that was financing key parts of the ruling Frelimo coalition. The industrial sector provided easy and quick access to rents and benefits, in contrast to the long, insecure and tedious process of building up a fleet that could service a putative future national processing industry. This created resistance that had to be diffused or countered if the Master Plan was to succeed. This did not happen; instead from 1995 to 2000 the industrial sector saw an increase in the distribution of quotas and licences in order to dispense economic opportunities to more elite members and concentrate economic resources in the hands of top echelon members, with detrimental consequences overall for the limited fish stocks (Adams 2008; interviews Ministry of Fisheries 2009; 2010). Furthermore, through the IDPPE during the same period the artisanal sector gained access to donor projects promoting the artisanal sector with no links to the semi-industry. It was donor-funded projects that would be expanded to cover most of the coastal areas from the north to the central parts of the country by providing social services (health, education, water and communication infrastructures), partly linking the artisanal sector to government preoccupations related to re-establishing state bureaucratic control over territory and population, and winning elections in heavily contested opposition areas. At the same time, donor-funded artisanal projects satisfied the needs and aspirations of important ruling-party coalition bureaucratic constituencies.

Links to the political settlement

The dominant Chissano-run Frelimo party coalition in charge of the country after the first democratic elections in 1994, despite coming close to losing the 1999 general elections, carried through the sugar policy despite its unpopularity among key Frelimo urban voters and elite factions and individuals that had benefited from the import-driven sugar regime. This was probably possible only because changing the distributional rules did not benefit any particular individuals or groups in the ruling coalition. There are no indications that any of the top leadership benefited directly or indirectly from rehabilitating the sugar sector in any significant way. Instead, supporting the sugar sector and the creation of an internally protected market for national sugar not only benefited a few large FDI-driven companies in the long run, it also allowed the state and government to fashion new links to rural electoral constituencies in areas in the central and northern regions along the strategically important Zambeze River it had struggled to control earlier. It also allowed the government to raise its credit rating because the foreign companies running the sugar estates paid back their state-guaranteed loans. The creation of up to 40,000 jobs over time was extremely popular, together with the provision of social services that fitted post-conflict imperatives and general service provision. Supporting the rehabilitation of the sugar sector therefore supported the political settlement in its purest form – the ruling Frelimo coalition and government's continued control, instead of individual or family-based party connections.[16]

This feat of the sugar sector with continued political support contrasted sharply with political attitudes regarding the semi-industrial fisheries. Here there was little or no determination to enforce the changes to the formal and informal rules governing the distribution of resources and benefits for the semi-industrial fisheries. Instead the political settlement and economic reforms and privatization led to elite capture, as individuals and factions primarily from or linked to the top echelons of the symbolically important Generation September 25 used the industrial fishery sector to accumulate. There was little if any interest in giving up this easily accessible and quite lucrative opportunity for some vague, long-term and uncertain benefits from promoting the semi-industrial fisheries.

In the two cases presented so far, the link between political support and changing the rules of the rights and economic benefits seems to suggest that conflicts can be surmounted when the main beneficiary is the ruling party coalition and no specific powerful elite factions are benefiting – this seems paradoxically to be the condition for securing sustained political support. In contrast, political support for changing the rules of the

[16] Later on, in line with the MDG and PRSP drives, the post-conflict service provision imperative would allow the sector to contribute in significant ways to ongoing government policy developments and requirements in a stealthy manner. Add to this the provision of educational opportunities by the industry, catered for by setting up technical training facilities, making the industry a net producer of technical skills. Finally, over the past five years the industry has seen a steady expansion of small- and medium-scale cane producers, allowing new players to enter the industry. However, this, in turn, has created tensions at local government levels (municipal and district), as conflicts over land have intensified. Thousands of farmers have joined associations in order to become part of the cane schemes, allowing the industry to tap into prevalent ideas concerning 'prosperity' and the 'sharing of economic opportunities'.

game for the distribution of rights and benefits dwindled and failed when the main beneficiaries were specific elite factions, as was the case for the semi-industrial fisheries.

It is clear that interventions to support a particular productive sector have social costs, which can lead – or perhaps always lead – to social conflict and mobilization against the changes. If the ruling coalition cannot absorb or tolerate significant social costs from the factions that are affected, then they will not pursue those interventions or abandon such interventions during implementation, as was the case with semi-industrial fisheries. Thus, negotiating market access or access to primary produce for a nascent industry and protecting it while it grows requires strong political support from the ruling elite coalition, without which its take-off would not be possible, as the sugar case illustrates. This is also the lesson of the cashew sector, where the government went further in its attempts to create the right conditions for the industry than it did for the semi-industrial fisheries, even though it was impeded and support withered under pressure from diverse sources. The poultry sector, on the other hand, has been consistently ignored by the state/government despite good reasons to support it. Let us briefly consider the experiences of these sectors in order to complete out understanding of political support to productive sectors.

The cashew industry: initially impeded support

Right from the colonial era, the cashew sector has been an important export sector for both raw and processed cashews, with the processing industry historically being protected through an export tax. During the destabilization war that became a civil war, both cashew production and the industry came close to a standstill, with the industry becoming depleted. After the GPA the government wanted to continue to protect the industry but gave in to pressure to liberalize it. The cashew industry illustrates how important is the relationship between support and changing the rules of the game, but also that initial failure to change the distribution of rights and economic benefits can be reversed over time. The relationship between political support and changing the rules of the game as such works out differently than in the cases considered so far. The Frelimo government's initially ambivalent relationship to the cashew sector should be seen in the context of privatization and liberalization.

Before privatisation and liberalisation during the 1970s and 1980s, the cashew industry benefited from export restrictions on raw nuts imposed in order to protect and secure sufficient volumes of raw nuts for the industry. By the end of the civil war the cashew sector was debilitated and clearly needed state assistance and protection. Export tariffs were considerably lowered, making it more profitable to export raw cashews to India, and some new exporters, affiliated to the Frelimo party, were licenced in addition to the family-based Asian trading houses, which were making huge profits from this trade (see Pitcher 2002). The local industry nonetheless totally collapsed, but as many exporters also had stakes in the industry, the losers were largely industrial workers and a few people who had bought themselves into the sector during the privatisation process but had then been trapped by the changing export regime. It is usually emphasized that, after the sector was privatised, it was pressured by the World Bank to liberalise its export market for raw nuts (see Hanlon and Smart 2008), undermining the vast, labour-intensive but also quite uncontrolled industry after privatization in key opposition strongholds. This was problematic as it removed employment from key urban constituencies in heavily contested electorates in the northern regions.

While it is true that pressures were exercised which can be linked to the implementation of 'neo-liberal' policies (see Cramer 2006; Pitcher 2002), few have emphasized that the Mozambican government was, if not a willing prey, then at least relatively easy to bend for a number of reasons, one important one being intra-coalition faction struggles between those benefitting from the liberalized export regime and those who, out of economic interests or for ideological reasons, wanted state protection of the industry. Over time another important rationale became strategic and related to electoral control. As the Frelimo party realized that opposition in general only materialized strongly where some form of independent accumulation took place, control over the cashew sector became important. The closed industry was a blessing in disguise, as it allowed the Frelimo government to acquire relative control over accumulation patterns while securing access for some members of the ruling coalition to enter the lucrative export regime.

When attempts were made by national industry players and the USAid-funded American NGO Tecnoserve to restructure the industry and bring in new technology and management skills after the new millennium, a need arose to renegotiate export tariffs with traders and the new members of the ruling coalition who had export licences. Such negotiations involved, among others, the then President Chissano, who personally met one of the biggest Asian traders in the sector (the Gani family, which owns the mother company Comercial Lda., a company established in 1918), involved in the export of both raw and processed cashews today. At the meeting Chissano persuaded him to accept changes over time, so raw cashews remained in Mozambique for processing. As mentioned in the introduction to this paper, a new cashew industry is slowly but steadily emerging. The owners of the emerging industry include some of the traders, including the Gani, as well as newcomers and people who, during the privatisation phase, bought themselves into the industry and are affiliated to the Frelimo party, like the Chissano family, who own a smaller processing unit in Gaza totally dependent on access to raw cashews. With new affordable technology and access to assistance and raw cashew nuts, abandoned industrial plants have been resurrected, with eighteen processing units in operation today, sometimes in joint ventures with investors, and in other cases based on their own access to finance, for example, special loan facilities provided by Ministry of Finance to assist the growth of a national business class.

It is with regard to these changing rules that the biggest difference between sugar and cashew emerges. Both sectors were singled out as long-term strategic sectors, but cashew received concrete political support much later than sugar. While changing the rules of the game was necessary for both sectors, for cashew it required a redistribution of resources between groups that formed part of the ruling elite coalition or supported the ruling coalition, whereas there were no individuals or groups in the ruling coalition that benefited so concretely, whether directly or indirectly, from rehabilitating the sugar sector.

Poultry sector: ignored support

Imported chicken became important after the GPA in 1992 to satisfy the need to increase the population's protein consumption. Special schemes relaxing the payment of import duties were applied. Over time VAT and import duties were applied mainly to holiday times, when local production could not meet demand, particularly in the urban centres (this was sometimes caused by deliberate delaying strategies, triggering state intervention on behalf of importers). After 2005 the best-known importer was Bashier Sulemann, who began as a modest clothing trader in Nampula but now owns the large MBS trading house with monopolies in several foodstuff chains, as well as processing and marketing for others. But there were others working with and through the children of known top Frelimo leaders. The poultry sector was confronted with imports of very cheap frozen chicken from Brazil by Bashier and other trading houses. Bashier in particular imported chicken from Brazil via Dubai, where, 'after sitting in supermarkets for a year or more', it was shipped Mozambique 'without the levy of import tariffs or VATs' (TechnoServe 2010: 5). The dumping of cheap chicken was in clear contravention of Mozambican legislation regarding food safety and hygiene regulations requiring importation within three months of slaughter. Furthermore, as the imported chicken evaded import duties, usually rolling through harbour scanners after –they had closed, chicken could be sold for under one USD, which is far below the production price in Mozambique or even in Brazil.

This was stopped after a public outcry in 2009, when one industry actor, the President of the Poultry Procuring Association (AMA) who was working for the international company IRVINES COBB, used a Frelimo party pre-election meeting (known as *Conferencia Nacional de Quadros*) in Matola (a suburb of Maputo where the Frelimo congress centre is situated) that brought thousands of cadres together with the top of the party to expose the challenges the sector was encountering on national television. After trying to get the Ministries of Industry and Commerce (MIC), Finance (MF) and Agriculture (MINAG) to respond to the contravention of Mozambican legislation and the associated impossibility of profitably 'producing a national chicken' when imported chicken could be sold for less than local production costs, they went public. Directly on television, AMA used the 'customary drowning of chicks that cannot be sold' to generate a national outcry (TechnoServe 2010: 37). Members of parliament from Frelimo with pre-election cadres divided into 'work brigades' visited the affected industries, local producers and production facilities in the southern province of Maputo. A resolution at the Frelimo meeting was issued afterwards that forced the custom authorities to implement and enforce the Mozambican legislation, effectively halting the cheap imports for a period. While international players like IRVINES COBB and HIGEST and a few larger national and joint venture producers mainly taking care of breeder houses, incubators and hatcheries, as well as providing inputs, they serviced a much bigger group of small- and medium-scale producers which was either aligned to or constituted an important lower level faction of the Frelimo party. The public event therefore had a great impact in the run up to the elections.

But the halting of cheap imports proved to be short lived, as other interests asserted themselves. Bashier, who had built a huge mall in downtown Maputo without any official loan (and in contravention of municipal planning laws) thereafter used a ten-year tax exemption applicable to the mall to continue importing chicken cheaply from Brazil, and distributed it as a retailer in clear contravention of even the generous tax exemption code. In 2010 the Obama administration classified Bashier as a drugs lord. In an advertisement campaign launched before the 2009 elections, Bashier publicly announced that he paid for Frelimo's election campaign, was a proud party member and has generously supported the party over the years. A special police unit set up to investigate the US classification of Bashier came to the conclusion that the allegations were groundless at the same time as the Attorney-General Augusto Paulino suggested, in his annual report presented to Parliament, that most property investments in Mozambique were 'laundering drug money' with impunity, noting that the Mozambican economy was too small 'to support buildings of the size of those that are springing up in the major cities, particularly in the capital' (Mozambique 2011: 183). While the industry has managed to put the issue of imported versus locally produced chickens on the political map, and even briefly managed to halt imports, the issue is being ignored by parts of the government and state, largely due to specific party and individual interests in the continuation of generous funding. This suggests that, if individuals whose support is important to the ruling coalition are benefitting from the way things are in a productive sector, ignorance in the form of a *laissez-faire* approach is the strategy used by those who should be enforcing the regulations, so that support becomes diluted, as the state (VAT, tax and veterinary officials) cannot intervene by enforcing such regulations.

Political support matters but is not sufficient

The cases of cashew and poultry provide us with a fuller picture of the extent of political support for productive sectors in Mozambique. The relationship between political support and changing the rules of the game, that is, the formal and/or informal rules which govern the distribution of economic benefits and resources, cannot be underestimated, as countries like Mozambique operate in market conditions where dependence on fragile internal markets and/or volatile export markets for primary or value-enhanced products can be devastating for both investors and peasants, with severe implications for the legitimacy of any government that promotes such production.

There is therefore a need to ensure both access to markets and a certain relative predictability of revenue; in addition, especially during the initial years of production – when productivity is lower, sunk costs are high, and training, learning and technological upgrading is taking place – the source of funding is important. Furthermore, as Khan (2000, 2010) has shown, supporting growth that has

Table 1. Ability of political elite to carry through rule change (political support)

Industry assist in keeping power and maintain ruling coalition	Opponents to rule change	
	Specific elite members and financers	Ruling elite factions
High	*Sugar sector: Sustained support*	*Cashew sector: Initially impeded*
Low	*Poultry sector: Ignored*	*Semi-industrial fisheries: Failed*

transformed the productive structure of an economy requires state interventions that often include changes to the existing structure of benefits, rent opportunities and the allocation of state resources. While this is not sufficient to make changes possible, it is a necessary and very difficult step to take that cannot be characterized by simple political decisions carried out by a simple understanding of 'political will'.

In other words, we need to unpack the notion of 'political will', which is too easily used in political analysis as a residual category where something does not happen because there was no political will, or that does happen because there was political will. Instead, we need to ask why there was support from the ruling elite and why in some cases it could be sustained, while in other cases it was impeded, ignored or simply failed to assert itself beyond approval. What is clear is that, as we have seen, trade-offs between support and *laissez-faire* are made when ruling elites are confronted with the need to maintain the ruling coalition, whether because of funding requirements or strong factional interests. Here the ruling elite may well take the short-term option related to maintenance/ preservation, instead of supporting policies that in the longer term would transform the productive structure of a sector. As the development of productive sectors nearly always implies some kind of changes to how economic benefits and rights are distributed, support often pits productive interests against important factions and funders of the ruling coalition. There is a trade-off involved in remaining in power by ignoring the need for changes to the rules of the game, even though the social benefits would be enormous.

Elsewhere we have argued (Buur and Whitfield 2011) that sustained political support by the ruling elite is the most important of the four factors needed in order to secure successful outcomes because the other factors – the role of the state bureaucracy and the institutionalized organization of state-business relations – depend on political support being present. Without sustained political support there might be a competent state agency with political linkages, but bureaucrats' ability to mediate between the ruling elite and industry actors will be less effective. Without sustained political support, bureaucrats will not have the political back-up to change institutions and allocations of resources which negatively affect powerful groups in society, nor will they be able to liaise effectively with industry associations and use 'carrots and sticks' to force them to organize.

As the case studies illustrate, when a ruling elite perceives that supporting a productive sector will help it remain in power, support can be generous, as with the sugar sector. But it is also clear that political support cannot be the sole key factor. Another dimension of political support is related to the role of the bureaucracy and, by extension, the organisation and capabilities of sector/industry actors and institutionalized interaction between these and state/government actors.

4. THE DIFFERENT ROLES OF THE BUREAUCRACY

We have argued elsewhere that a key factor in creating the conditions for the successful promotion of a productive sector is the existence of an embedded and mediating bureaucracy (see Buur and Whitfield 2011). By embedded, we mean that the state bureaucrats engage in institutionalized relations with industry actors, such interaction being crucial to meeting industry needs and creating credible commitments.[17] In a recently liberalized economy like Mozambique, investors – both national and foreign – often doubted government commitment, as the ruling party had different ideological factions, and relationships were tenuous and fragile. As the value of promised incentives and the capacity to implement and carry through such promises were uncertain, they therefore invested with an eye to the short term, searching for quick returns, as, for instance, much of the South African tourism industry seems to have done. The credibility of the government's productive sector policies in the eyes of business, and thus business's willingness to undertake risks in conjunction with those policies, is undermined when business is kept out of the policy loop (Biddle and Milor 1997: 280).

The literature on business-state relations generally argues that embedded bureaucrats have knowledge of the industry and ongoing relations with relevant industry actors, that actors move in and out of the bureaucracy and business, and that such relationships create the networks that embed state officials (Evans 1997; Thorup and Durand 1997; Schneider 1993; Maxfield and Schneider 1997). Embedding enhances bureaucrats' ability to collect and possess information, monitor business behaviour, and articulate a vision and viable strategy of how to support particular industries using both persuasion and coercive elements. Where the importance of embeddedness is much discussed in the literature on business-state relations in developing countries, the importance of pushing other parts of the bureaucracy to assist, facilitate or relax formal or informal ways of controlling and/or extracting resources or mediating between political and industry interests is less discussed in the literature.

By mediating, we mean that bureaucrats liaise very directly between business and political interests, technical and technocratic concerns, and administrative and legal procedures (see Buur et al. forthcoming 2012). There can be considerable mistrust, on the one hand from parts of the bureaucracy and the political elite towards the intentions of foreign investors and the effects of allowing them to run an industry, and on the other from investors who have no experience of working with a *de jure* abolished and transformed but *de facto* one-party state apparatus and political system. The concrete ability of the bureaucrats to liaise between, bridge and translate the different interests and expectations of the political elite and economic actors can be crucial for a successful outcome.

The origins of a mediating and embedded bureaucracy in Mozambique are to be found in the fact that many of the state and industry actors had worked in relation to a productive sector or industry in private, bureaucratic and political positions – often in different constellations – since at least the mid-1970s, but often spanning the colonial era, as well as the state interventionist and nationalization periods after independence and the economic and political reforms initiated from the mid-1980s. This phenomenon is encountered in some countries that have been one-party states with a centralized economy and are now dominant-party states operating with a mixed economy, as is the case with Mozambique. Here in one way or another – by default, incapacity or structural constraints, but often all of them over time – the political elite and bureaucrats have ended up running (down) productive enterprises in the past while also gaining valuable trial-and-error lessons that could be used in the future. In important

[17] Credible commitments mean that economic actors believe what state actors say and then act accordingly. For Peter Evans (1995), credible commitments are a key aspect of embeddedness.

Table 2. Bureaucrats support of industry

Bureaucrats relationship to political elite	Bureaucrats technical capabilities and relationship to sector industry	
	High	Low
Highly connected	Well connected / high capabilities *Sugar rehabilitation: Active support*	Well connected / limited capabilities *Cashew Industry: Giving up*
Low or unrelated	Weak connections / high capabilities *Poultry: Powerless*	Weak connections / weak capabilities *Semi-industrial fisheries: Neglect*

ways, these experiences have created the possibility for some parts of the bureaucracy to operate as a 'mediating institution', as state bureaucrats understand both Frelimo's sometimes clear, at other times obsessed, but usually implicit needs and expectations, as well as the particular sector/industry's needs as a private entity, their perspectives and expectations as newcomers and outsiders, while still operating with a keen eye for the pragmatics of the art of government (see Buur et al. forthcoming 2012 for the sugar sector).

But this 'explains nothing', as Anne Pitcher once dryly observed in a private conversation – there are many African and Eastern European countries where such bureaucracies potentially exist, but few that have created business-state relations that are productive. In Mozambique most productive sector bureaucracies in a formal sense contain aspects of an embedded and mediating bureaucracy. Why, then, have so few productive sectors succeeded? We argue that it is because a 'mediating and embedded bureaucracy' only exists in pockets and is therefore only rarely found. We argue that it is not the existence as such, but the particular configuration of a bureaucracy's relationship to 1) the political elite (ruling coalition and factions) – here captured by whether it is well connected or unrelated, and 2) their relationship to the sector/industry, captured principally by their technical capabilities, that becomes important for explaining why a latent opportunity so seldom flourishes and remains latent. In Table 2 we have tentatively mapped the bureaucracy's different relationships to ruling party coalitions and the productive sector and show what the outcomes have been.

The relationships presented in Table 2 are a consequence of the type of political support that a bureaucracy which to a variety of degrees works as pockets of efficiency can cater for, depending on its relationship to the political elite and to the specific sector industry. Based primarily on the two case studies of sugar and semi-industrial fisheries, combined with emerging case stories from the cashew and poultry sectors, we will briefly substantiate the formal attributes of the above relationships. We begin with the sugar sector.

The sugar sector: embedded and mediating bureaucracy

Sustained political support during the Chissano period most importantly included support for the state bureaucrats in the National Sugar Institute in terms of resources as well as political back-up, which were prerequisites for the state bureaucrats to play their mediating and embedded roles. For the first ten years of the rehabilitation programme, the sugar sector had a functional National Sugar Institute, where the director had worked in the sugar industry as a lower level functionary during the colonial era. After independence he continued in the sector and was director of one of the sugar estates and industrial plants during the first attempts to rehabilitate sugar at the end of the 1980s and early part of the 1990s (see Buur et al. 2011). Notably, the person in charge of writing the 1996 sugar rehabilitation strategy had also worked in the industry since independence before becoming director of the National Sugar Industry in the mid-1980s during the last phase of the state-run era. After rehabilitation began, he became a state-appointed representative on various administrative boards before ending up as general director of the biggest South African investor in the sugar industry in Mozambique, Tongaat-Hulett.

The present director of the Sugar Production Association (APAMO) was a politically appointed director (party oversight of a state-run industry) of one of the sugar companies in Sofala during the 1980s, and during the 1990s was advisor to the governor in Sofala when the decisions were taken on which of the four estates and industries should be shortlisted for rehabilitation (two out of three in Sofala were selected). In the same manner, the present provincial director for agriculture in Sofala is a former employee of three sugar estates, where he worked during the 1980s and 1990s. Furthermore his education was paid for by one of the sugar companies before independence, where his father worked as an office clerk. All the rehabilitated sugar companies have either employed or continue to employ former top state bureaucrats, who take up key positions in company agricultural units, small and medium-size cane production units or human resources, or work as special 'problem-solvers' mediating between the industry and the provincial authorities and local communities when conflicts surface around salaries, job opportunities, land access and social service provision. The fact that a very large contingent of the state functionaries in the industry and agricultural sectors and political appointees have served often in a variety of functions provides the industry with a quite multifaceted 'access point' (Giddens 1990) to the state and government domain.

While important on a daily basis – particularly at 'critical junctures' like the height of implementing the surcharge, when a tough policy on contraband sugar imports had to be implemented – the value of an embedded and mediating bureaucracy was important. The then finance minister, Luisa Diogo, set up a special task force consisting of representatives from the industry, upstream users of sugar, the customs authorities, the police and the military, besides representatives from all the ministries involved, which met monthly and to whom tasks were delegated. She personally chaired the meetings, and the director of the National Sugar Institute functioned as the acting secretary, making sure that decisions were followed up. Most of the people involved would have experience of running an industry at one level, belonging to political bodies within the party during the state intervention years or working as state bureaucrats, which allowed for considerable knowledge of how to get politically sensitive, bureaucratically complicated and highly legal issues through the political system without compromising the industry's requirements too much. The sustainability of the relationships between the state, the government and the sugar industry – be they driven by international capital (sugar), political priorities or bureaucratic considerations – were ensured by being 'embedded' in these different ways. The industry's needs and functions were combined with social and political imperatives (whether deliberately or by default), which reduced social and political uncertainties enough to reassure those investing in the sector and also allowed diverse political imperatives to be catered for so that support could be negotiated when needed.

Fisheries: over- and underexposed

From the outset of the Master Plan, the semi-industrial fisheries did not have an organizational home with a bureaucracy that had a sector history, good connections or technical domination of its field. There was therefore no embedded and mediating bureaucracy with state bureaucrats engaged in institutionalized relations to the semi-industry so that actors that could mediate between political and industry needs and concerns. For the Master Plan to succeed, interaction was needed between the semi-industrial and the industrial sectors, this being a prerequisite for meeting semi-industry needs and creating a commitment from the industrial sector to the Master Plan and its priorities. But as the interests of the semi-industry were anchored in the bureaucracy of the Institute for Small Scale Fishery (IDPPE), which became the custodian for the sector, there was little interaction with other bureaucratic units like the various institutes for research, inspection, and, of course, the unit in the ministry[18] that had oversight of the industrial sector.

The history of the organisation of the industry has always been one of bifurcation. From 1976, when the Frelimo government established the first national administration for fisheries, the National Directorate of Fisheries (DNP), under the Ministry of Industry and Commerce to oversee the fisheries sector, parcelling out in specific services created distinct bureaucracies. The DNP established *serviços* or units for 'People's Fishery' (*Serviço de Pesca Popular, SPP*), which consisted basically of a support service for the small-scale fisheries cooperatives and *Serviço a Industria Pesqueira* (SIP), which ideally serviced the industry, as well as a research unit (interview IDPPE 2008)). When the DNP was upgraded to a State Secretary for Fisheries in 1978, units for specific fishery sectors were established in 1980. The artisanal sector was now named the *Unidade para Desenvolvimento da Pesca de Pequena Escala* (UDPPE), tasked with the management and supervision of the *combinados pesqueiros* (the joint entities set up to provide extension service, inputs, marketing/commercialisation and so forth for the artisanal sector). In a similar move, the *Serviço a Industria Pesqueira* was changed to the *Unidade para Pesca Industrial* to service the state-intervened industry and joint ventures as well as licenses and quotas in 1980. In 1995 the fishery sector in general became part of a joint Ministry for Agriculture and Fisheries, where these specific and distinct units was reproduced under new names and continued to structure the fisheries.

In other words, a specific bureaucracy or 'organisational home' for the semi-industrial fisheries had never been established. The implementation of the Master Plan should nonetheless have been coordinated by the Coordination Unit for the implementation of the Master Plan (Adam 2008; Danida 1996). At the time of the elaboration of the Master Plan, the Coordination Unit was within the State Secretary of Fisheries (SEP), until it was dissolved and its functions transferred to the new Ministry of Agriculture and Fisheries (MAP) in 1995. SEP, excluding the specific

[18] First the joint Ministry for Agriculture and Fisheries, and from 2000 the stand-alone Ministry for Fisheries.

units and provincial delegations, had been a relatively small and tight organization of about fifty staff, many of whom had long experience in fisheries. After SEP was transferred to MAP it was turned into a Fisheries Directorate to take care of all coordination and regulation of the fisheries. Surprisingly the Master Plan Coordination Unit was dismantled in 1998, when the European Commission did not make funds available for its continuation and the state 'could not find the resources', as we were ironically told (Interview IDPPE 2009; see also Danida 1996). Without the Coordination Unit, the bifurcation of the fisheries sector was further institutionalized, with little interaction between the distinct units. As such it seems that conflicts of interests ensure that the capacity of law enforcement and monitoring is deliberately kept low, as Standing (2008) has argued it is often the case.

As is the case in many agricultural sectors (but not yet sugar, even though the sector is moving in this direction with the emergence of small and medium-size cane producers), bureaucratic support as such was split along artisanal and industry interests, with little if any constructive engagement between them. In the fisheries sector this tended to detach the artisanal bureaucracy from both the fishing industry and the bureaucracy dealing with the industry, instead of it being embedded in it. On the other hand, for the bureaucracy dealing with the industry it also made the overlap between bureaucrats and industry partly indistinguishable, at least in the formative years until around 2002, as the top bureaucrats themselves had industrial interests. These trajectories, which originated in the history of the fisheries after 1975, created a bureaucracy that was underexposed for the artisanal sector with regard to the semi-industrial sector, and overexposed for the industry sector, as it was for most of the top leadership, who were indistinguishable from the industry. None of these relationships created a mediating and embedded bureaucracy that could be or was interested in developing the semi-industrial sector.

The fact that most of the top leaders of the state and industry had worked in bureaucratic and political, as well as business/industry positions in different constellations since the 1970s created two groups of actors who were extremely familiar with the artisanal and industry sectors. As in the sugar sector, there was a movement of state, political/party and industry actors in and out of the bureaucracy over time, creating networks and attachments that embedded state officials. But it did so in a manner that created two different and distinct bureaucracies that each defended their turf and (potential) benefits by all means, including squashing and ignoring the policy drive towards creating a national semi-industrial sector – the one ignoring its role as caretaker, and the other actively obstructing it. The literature on business–state relations in developing countries argues that embedded bureaucrats have knowledge of the industry and relations with relevant industry actors, which enhances their ability to collect and possess information, monitor business behaviour and articulate a vision and viable strategy of how to support particular industries (Maxfield and Schneider 1997; Evans 1997). But this was not what happened in the industrial sector in Mozambique, at least initially, as knowledge became privileged knowledge used to access quotas and licenses, for example, through the privatisation process. In the artisanal sector, knowledge of the sector was used actively to raise funds for donor support for projects to entrench the artisanal sector as a stand-alone sector with its own bureaucracy, investment fund and critical distance from the exploitations of the industry. Over time funds were made available (credit lines, for example) to link the artisanal sector to the semi-industry, but instead they were used to maintain and pay local economic entrepreneurs supporting the Frelimo party, instead of for productive purposes (interview, technical advisor IDPPE, March 2011).

Interestingly enough the bifurcation did create a powerful 'pocket of efficiency', but this became a pocket of bureaucratic excellence, tis privileged position being used to promote specific sector interests: on the one hand, the survival of the artisanal sector as a specific sector detached from the industrial markets and/or individual benefits and rights, as was the case in the industrial sector; and on the other hand, the status quo of the industrial sector and its relationship to top echelon leaders and their economic interests and relationships with corporate Spanish and other fishery interests. It is clear that state bureaucrats understood the political elite's and coalition's interests and priorities, and used this to operate with a keen eye for the pragmatics of the art of government in a very different way than was the case in the sugar industry. This had important implications for the policy priority of creating a national semi-industrial sector based on onshore processing of fish resources.

The big difference between sugar and fisheries therefore seems to be that sugar – though not before 2006 in any profound manner – had to consider smallholder interests in the form of small-scale cane producers, while fisheries had from the outset been divided into the artisanal and the industrial sub-sectors, each with their state organisational homes, with everything that implies as far as bureaucracy creation, patronage relations and access to funding and revenues are concerned. The promotion of a national semi-industrial processing sector squeezed in between the two sectors was as such neglected when the survival of the artisanal sector was being fought for during the reform years and the ruling party coalition had to cater for faction interests in the form of economic opportunities for high-ranking state bureaucrats and members of Generation September 25.

For the two other sectors we have briefly mentioned here – the cashew nut and poultry sectors – the role of the bureaucracies should not be underestimated, even through the articulation was very different. There too many of the sector's leaders have worked within the industry in private, state and party capacities since the 1970s in different constellations. There was therefore potentially a group of people with experience and knowledge about both the industry and the bureaucracy, besides having potentially good political networks to liaise between business and political interests. But despite the existence of a formally independent National Cashew Institute with considerable experience, with bureaucrats who had taken on roles in the party, state and industry in shifting constellations, it was also split along the lines of small-scale peasant producers – the equivalent to artisanal fisheries – in one camp and a bureaucracy that primarily catered for the industry in the other. Whereas the small-scale peasant producers remained relatively intact, the industry bureaucracy had become neglected as the industry itself slowly broke down and became less and less profitable. With privatization and changes towards direct exports, it partly lost its constituency and instead an export bureaucracy became prominent.

For this reason, and partly also for strategic reasons, the US-based NGO Technoserve, which promoted the industry through technological upgrading, considered it necessary to push for changes in the sector – including to the way raw cashews were distributed between exporters and emerging industry groups – by appointing a person liberated from the shackles of being a state employee and from being embedded in a bureaucracy that was split between peasant small-scale production and export concerns. It was reasoned, and with some merit, that being within a state institution governed by the ruling Frelimo coalition would leave one too vulnerable to political pressure to negotiate with top members and factions of the ruling coalition for the necessary changes to the rules of the game. Operating from the position of the international NGO providing inputs and technological upgrading to the industry and the traders who could shift from export to processing meant that the 'detached bureaucracy' had very concrete inputs to provide, thus smothering the changes.

The organisational model for the implementation of plans for the reindustrialization of the cashew sector – and, interestingly, also the promotion of the poultry sector – differed from the sugar model. In both cases an international NGO, Technoserve, which drove the process of technological upgrade of the cashew sector and assisted with the organisation of the poultry sector, contracted key sector personnel, hiring them as project coordinators and moving them out of the state institutions. In the case of cashew, where there is a national institute, the person in charge of producing the sector plan was contacted, – a person with long-term experience during both the post-independence period and the liberalisation and privatisation phases. For the poultry sector, where there was no sector institute, a senior technician from the state veterinary unit that oversaw hygiene inspections for the sector was hired by Technoserve as coordinator. Whereas the poultry sector did not argue 'against importation', they argued for 'importation that followed the rules' by paying the regulated fees and upholding hygiene standards, so hiring an able and credible person from the hygiene inspections unit was considered a master stroke, as only they were arguing for formal rule, following which in itself would be a change of the de facto rules used in the sector.

5. ORGANIZATION OF THE SECTOR

The last factor we want to consider involves the level of organization among sector or industry actors and institutionalized interaction between the sector/industry and the state (see Buur and Whitfield 2011). We know from the business–state literature that institutionalized interaction between state and business at the sector and industry levels is important for coordination and collective action, for states to meet industry needs, for credible commitments to materialize, and for the monitoring and enforcement of conditions related to earning rents and for incentive structures to be effective. Institutionalized interactions require sector or industry associations with a certain level of organization to interact with ruling elites and state bureaucrats. The paradox is that providing sector or industry organization with capacity, internal coherence and legitimacy often requires external pressure in order to come about (Doner and Schneider 2000). Here the role of the state can be crucial in facilitating industry actors to organize themselves and solve their own collective action problems before interacting with the state/government, often through carrots and sticks. This can nonetheless also be facilitated by external actors with resources, knowledge and skills taking on certain organizational costs in the short to medium term.

Table 3. Productive sector/industry holding power

Economic power of industry/sector actors	Sector/industry actors' organizational capacity	
	High	Low
High	High organizational capacity and strong economic power: *Sugar: Good holding power*	Low organizational capacity but relatively strong economic power by many individual industry owners: *Cashew: Initially weak holding power as collective action problems were left unresolved*
Low	High organizational capacity but limited economic power: *Poultry: Weak holding power as organizational strength confronted powerful economic interests*	Low organizational capacity and limited economic power: *Semi-industrial fisheries: Weak holding power*

We can now consider our four cases, using on the one hand the axis of sector/industry organizational capacity to measure organizational coherence, legitimacy and collective action problem-solving, and on the other hand the sector's/industry's economic power vis-à-vis the ruling party coalition and elite factions. While drawing on Whitfield and Therkildsen's (2011) understanding of holding power, we use it here in a disaggregated manner, which, as explained above, usually refers to the relative dimension of power of an organization (an organized group of people, industry or sector), as it is its function to hold out in actual or potential conflicts against other organizations, like ruling party coalitions, elite factions or the state (ibid.). From our case material, it seems constructive to separate economic power and organizational capacity and relate them to each other in order to reach a more nuanced analytical understanding of holding power based on the various relationships between economic power and organizational capacity. The possible relationships this can give rise to can be presented as in Table 3.

It is important to reiterate that, when we speak about power and organizational capacity here, we do not mean a given or constant feature but one that is relative to the actions of other organizations. As we shall ill show, most sectors/industries saw considerable changes in their organizational capacity and economic power over time.

The sugar industry: became well organized with considerable holding power

The sugar rehabilitation strategy from 1996 anticipated the need for institutional organization of the sector, ensuring that 'the different sector interests – government (economy), industrialists (producers and users) and agriculturalists (cane producers) – coordinated their industry interests and managed conflicts emerging from different interests' (INA 1996: 14). There was no institutional organization of the industry when the rehabilitation of the sugar industry was initiated besides the bureaucratic home of the National Sugar Institute, which, during the one-party period after 1977, catered for both state and industry needs. Organizations were established when the need for organized encounters emerged, and when they were no longer needed they tended to disappear. The institutional organization of the industry became intimately related to the creation and protection of an internal market as it gave the different sector actors something concrete to organize around and struggle over. In the concrete programme for the creation of the internal market, it was suggested that each company could market and sell sugar individually within a 'domestic quota system', as the sector became liberalized and when production levels allowed it. For exporting, it proposed defining one single export agency for national sugar in order to reduce transaction costs, which could be a sugar-producing association or a commercial company contracted by the association after a public tender. Along the same lines, it was further suggested that 'a division of revenues provided by the preferential quotas between the sugar companies in relation to annual production' should be implemented that also included 'non-preferential export by each sugar company' so they received 'remuneration proportional to exports channelled through the export agency' (INA 1996: 77).

The first organization to emerge was the *Associaçao dos Produtores de Açúcar de Mozambique*, the national sugar-producing organization also known as APAMO.[19] It emerged after 1998, first taking care of the sugar producers' interests during the first phase of the rehabilitation process, but it also has the potential to become the organizational centre for future investments in cane-based bio-fuel as well (the government has asked APAMO to open itself up to cane-based ethanol producers too). APAMO is the organizational centre for the tripartite minimum salary negotiations and the liaison between state and industry when necessary. The second important institutional 'access point' for state–industry relations was the emergence of the industry-owned National Sugar Distributor (DNA), which was created for marketing all sugar internally as well as externally, with huge reductions in transaction costs.[20]

The Frelimo government pressured sugar producers to organise themselves in branch organisations, or what we have positively called 'rent-sharing organizations' (see Buur and Whitfield 2011), as key government officials were tired of having to attend to each investor's particular concerns and needs, many of which had consequences for other actors. The enforcement was done through cutting communications until an organization was created with the mandate to speak on behalf of the industry regarding sugar marketing and distribution. Intra-industry collective action crystallised around the sharing of rents that the rehabilitation of the industry and the setting up of the protected internal market created: a) domestic rents generated by the pro-

[19] In reality the union for sugar workers, SINTIA, was the first such organization, as it became reorganized and strengthened (making it after a few years the largest affiliate under the national federation) right from the outset of the rehabilitation process as part of an attempt to manage labour conflicts and disputes during the privatization phase. SINTIA became an important union, as the president also became president of the national federation.

[20] The industry tried at first to run the National Sugar Distributor (DNA) with each of the four companies_nominating a person. But later on a public tender gave the managing contract to an internationally recognised company with a solid managerial track record, the capacity to mediate between different business interests and the state, and international networks spanning Europe, Asia, Latin America and USA, bringing substantial organizational, marketing and business knowledge to the sector. Much suggests that the role of the DNA will change as the ownership structure of the four rehabilitated estates and sugar plants change and they become part of even larger corporations with their own corporate strategies for marketing, access to markets, distribution networks and so forth.

tected market pricing policy (both revenues and taxes); b) international rents generated from first preferential export quotas to the US and later on export access to European and other markets as they became available; and c) rents created by preferential treatment of upstream industries, primarily in the beverage sector. Here a special pact evolved with a sharing deal between producers and the state that by and large eliminated, or at least limited, the shares and rents usually claimed by, for example, domestic traders and/or the international free market industries characterized by dumping prices and industries speculating in such dumping prices. The sugar industry managed to develop mechanisms to coordinate marketing strategies that allowed the different companies to take advantage of international 'preferential quotas and avoid having to dump sugar into world markets' (Castel-Branco 2002: 179).

Another organization that emerged to take care of problems with collective action was an upstream organization for industries depending on sugar – the Organization of Sugar-Using Industries – comprising both multinational and national beverage producers. The organization was particularly active during the creation and enforcement of the internal market, where it participated in the task force and in negotiations around the surcharge, but as its demands were catered for it vanished. The same happened to a consumer organisation, which was also created during the implementation of the surcharge when prices for ordinary urban residents rose sharply. It also seems to have disappeared from the picture as the price stabilized.

Through the organizational engagement, institutions are created which have a certain durability. As one director of a sugar company phrased it, 'Systems are resilient. They don't depend on one person or the order of a minister' (interview 2008, Maragra). But importantly, the organizational features of the industry evolve as needs, demands, policy requirements and so forth produce new situations. In other words, they allow for constant accommodation and alignment to political, organizational and industrial sector requirements and needs in an organized manner. As such they form part of creating predictability as the combined effects allow the government and subsequent governments to commit scarce resources (infrastructure, political etc.) to the development of the sector, despite resistance from other sectors of society and donor groups like the World Bank and IMF. Organizing the industry also means that institutional assurances can be given instead of personalized assurances to shore up commitments by different political groups, even within the same ruling coalition.

Over time the organizational capacity that grew with the considerable economic and organizational power of some of the investing companies[21] – initially South African companies and later on French/Brazilian ones – gave the sector a very different outlook compared to the predominantly Mozambican-driven industrial sectors. For neither the French and Brazilian nor the South African investors in the sugar sector is it a question of economic survival or of the sugar companies being economically feasible in the short to medium term. At individual company level, however, it is a matter of concern that only two of the four rehabilitated companies are today economically successful and one is close to

[21] The investors from Mauritius had less holding power and ended up selling most of their shares to the French company Tereos, which also controls the Brazilian Guarani.

break-even.[22] For the company that is close to break even and the companies that are a long way from even break-even there is a constant fear that the mother company's support will wane as more lucrative economic opportunities emerge primarily in Asia.[23] But so far the investments, which to some extent are future-directed, have allowed the sector to maintain momentum. Based on its organizational and economic power, the sector has slowly but steadily taken over the policy-formulating role from the government.[24] Through its branch organization and engagement in the country-wide distribution of sugar, the sector is well represented at the political and state levels and, thanks to its corporate capacities, has the ability to negotiate its way through the EU restructuring of the sugar market, as well as other important markets like the US, thus providing the formal negotiating partner, the Mozambican state, with technical and political inputs besides running lobby offices in Washington and Brussels.

From captured organizational capacity to organizational strength without power

In the thinking behind the rehabilitation of the sugar sector was an anticipation of the need for institutional organization, with the state pushing for or promoting the organization of interests. Within the fisheries sector, there was no organizational body that readily wanted to push for institutionalization, enforcement and monitoring from the side of the state. As the sector bureaucracy was split into artisanal and industrial camps that each pursued their own interests, the initial starting point for the semi-industrial fishery sector was very different, as it had no organizational home but instead became buried in the artisanal sector bureaucracy. The IDPPE, which was formally responsible for the sector, saw its mandate as primarily related to promoting and developing the artisanal sector. It pursued a policy of organizing locally based artisanal fishery communities through associations and committees using donor project funding, which only further institutionalized the artisanal sector. Any direct links to the sector from which knowledge, licenses and quotas derived, besides networks – the industrial fisheries – was thereby subtly cut off from the outset. As no proper bureaucratic organizational home for the semi-industrial

[22] The Marromeo-based company has serious logistic problems, being located remotely on the border with Zambezia along the Zambezia river, with for most of the year limited transport possibilities and for the rest of the year extra costs. The Marromeo facility waited for close to ten years for key services to arrive like electricity and rail, and when connected to the national grids the costs were uncompetitive. For the same reasons Marromeo still transports most sugar along the river to Beira in barges (export) and by road to the northern DNA depots at a cost far higher than what other companies have to pay. The Mafambisse facility in Sofala has production problems due to deteriorating soil conditions, which are forcing it to move production and face sunk costs at a scale not experienced by other companies except for the Maragra facility after the 2000 flooding.

[23] But even for the economically successful companies, there are concerns about the Mozambican state system and the manner in which rents are allowed to be generated and distributed. For example, the use of state-enforced but Frelimo party-owned scanners to ex-ray even bulk sugar increases export costs. Here there are concerns for Illovo investments in Asia, where it has huge economic interests, as the markets are huge and the investments large in contrast to the Mozambican market and investment. Even though the costs of the scanners are minor in the big picture, persistent political and bureaucratic interferences like problems around VAT payments, labour inspections and so forth make the Mozambican investment troublesome in comparison with the larger Asian markets and investments.

[24] Under Guebuza, at least since 2006, active support for the sugar industry has waned, partly because all the key players from the state and government had left the sector by then or had been redeployed elsewhere, and partly because of changes in the institutional set up, whereby the National Institute for Sugar was transformed into a Centre for the Promotion of Agricultural Investments (CEPAGRI), which slowly undermined capacity and longstanding relationships between the different interest groups and the state's capacity to fulfil its monitoring mandate as capacity became spread thin over a whole range of new sectors (rice, bio-fuel, poultry, potatoes and so forth).

sector could be established, donor projects were open to misuse by the elite for access to loans, quotas and licences, and donors withdrew, as this became intolerable for accountability reasons and took its toll on fishing stocks. In a way the national organizational home became the consultative forum of the CAP, which every year called upon all fishery interests to convene and discuss the distribution of licenses and quotas. The CAP was nonetheless heavily biased towards the industry, but it also created the impetus for 'interest organizations' interested in access to quotas and licences to be formed.

Organisationally, several outlets emerged that all reflect the degree of elite capture that the fishery sector experienced. In the fishery sector there are four associations representing the interests of the private sector, both industrial and semi-industrial. AMAPIC (*Associação Moçambicana de Armadores de Pesca Industrial de Camarão*), is headed by a former state functionary in the fisheries sector. It represents the big companies like Pescamar, which is a joint venture of the Mozambique state (via EMOSCA) with Spanish companies and controls most of the industrial business in the sector.[25] ANAP (*Associação Nacional dos Armadores de Pesca*) is led by a former State Secretary. This association represents the industrial companies owned by Mozambicans. It was clearly set up to make sure that the group of national owners in the industry is taken into consideration in fisheries management, the distribution of licences and quotas. The major dispute, for example, between AMAPIC and ANAP has been on the issue of criteria for the allocation of shrimp fishing quotas, with ANAP defending a more 'equitable' distribution by transferring more quotas and thereby strategic rents to the national group. A third organization is APC (*Associação dos Produtores de Camarão*), headed by the same former State Secretary. APC is a business organization that formally aims to bring together companies in marine fisheries as well as the aquaculture of shrimp, the main export product of Mozambique. Finally a fourth association is ASSAPEMO (*Associação dos Armadores de Pesca de Moçambique*), lead by a former director of EMOPESCA. The Association comprises only semi-industrial companies and has been formed in order to press for increased access to licences and quotas using the 'semi-industrial' tag in order to distinguish it from the bigger industrial companies.

It is common to argue that particular countries appear vulnerable to conflicts of interest where domestic policies favour the establishment of joint ventures between foreign fishing companies and local businesses, as was the case very early for the industrial fisheries in Mozambique. Here the foreign partners in joint ventures are typically the ones to bring in capital, boats and fisheries expertise, where the ideal local partners are those who offer political influence (Standing 2008: 17). Mozambique is clearly one these basket cases, but it is equally clear that it is not only joint ventures that produce conflicts of interest. Rather, the particular manner in which the political settlement evolved after independence, with a one-party state right from the outset, created 'conflicts of interest' in the fisheries.

For the two other sectors, as an external non-state agent, the US-based NGO Technoserve made a push for sector organization or re-organization in both the poultry sector and the cashew industry. In the poultry sector an umbrella organization, *Associações Produtoras de Frangos e Parceiros*, brings all parts

[25] Formally, AMAPIC represents four different companies: Pescamar, Efripel, PescaBom and Copoic. In reality, as some of senior officers at the ministry explained to us (interviews Ministry of Fisheries 2008; 2009; 2010), 'they never were four, but two; and recently they turned into being just one'.

of the sector together for consultation managed by the state agricultural investment or Centre for the Promotion of Agricultural Investments (CEPAGRI) and specific branch organizations like *Associação Mozambicana dos Avicultores* (AMA), as well as locally based chicken producers like *Associação ADAMO* for Maputo. Here particularly the AMA came to be a potent organization, as it could draw on capacity from foreign investors involved in the various levels of the chain from breeder houses to incubator and hatcheries like IRVINES COBB. The first chairwoman of the AMA was the director of IRVINES, who had a long history in the sector working for the post-independence cooperative movement for years and therefore with good links to locally based chicken producers that are usually aligned to lower level factions in Frelimo. In the cashew sector a cashew industrialists' association, the Mozambique Nuts Processors Association (*Aicaju*), emerged, becoming a founding member of the African Cashew Alliance in 2006 and promoting the industry internationally. In both cases associations emerged based on the financial and technical assistance of Technoserve, which paid initial learning rents.

The poultry association as such became very well organized and managed to unite the producers and engage in negotiations with customs authorities (Ministry of Finance), veterinarian authorities, the Ministry of Agriculture and members of parliament, but the continued influx of cheap Brazilian poultry undermined the expansion of the sector. Even though the CEPAGRI created a desk for the sector with a dedicated officer in charge of liaison between all parts of the sector and convened a national consultative forum that included producers, input suppliers, importers, the state, trade unions and government, decisions were constantly defied, as the powerful traders around Bashier could break the agreements with impunity due to their considerable influence and holding power vis-à-vis the ruling coalition and certain party factions, which they financed.

For the cashew sector, organizing the industry proved complicated for Technoserve, as some of the top export houses also controlled part of the industry, even though this was clearly against government regulations. Collective action problems were therefore initially complicated to solve, as interests were highly fragmented. As the sector bureaucracy was also fragmented into three main camps – peasant producers of raw cashew, industry processing, and interests related to monitoring the lucrative export regime – a common, legitimate and powerful state/government centre to push the industry to solve collective action problems was not forthcoming. As access to raw cashew increased through state intervention and new technology provided for by Technoserve, the industry made it more lucrative, and this increased its holding power. As the sector is primarily situated in the politically fraught northern provinces, the strategic importance of the sector has increased considerably in recent years, as jobs have been created, export earnings increased and financing of the opposition has been brought under control. This has nonetheless been based on state intervention securing raw nuts for processing, as well as concessions from trading houses that also hold controlling stakes in the industry.

TOWARDS A CONCLUSION

The introduction to this synthesis paper stated that the research questions that would guide the work would be as follows. Which productive sector initiatives did the Mozambican government support? Why were they supported? How were they supported (or challenged or ignored)? Finally we also considered what the outcomes of the initiatives were.

The answers to the first and second questions are both very simple and quite complex: simple, because the productive sector initiatives that the Mozambican state approved were quite diverse, encompassing all the four sectors considered in this study: sugar, cashews, poultry and the development of a semi-industrial fisheries sector. The key factor accounting for support seems to be that the initiatives tapped into the ruling party coalition's priorities concerning the political survival of the regime, which in the Mozambican case means the survival of the ruling Frelimo Party coalition.[26] This strategy could be election-driven (winning over contested electorates), either driven by the need to maintain the ruling coalition during economic reforms, or to promote long-standing ideological positions. While political survival was the key motivation for the ruling elites in supporting the formulation of the productive initiatives, support during implementation differed from case to case.

As we moved from formulation to implementation, it became apparent that what had been formally approved became in all cases contested, formally and/or informally, and even undermined in several instances. This became clear when the need arose to change the rules of the game, that is, the formal and/or informal rules which govern the distribution of economic benefits and resources that had structured the sectors or industries earlier and needed to be changed in order to promote the policy. A key issue seems to be that, when there were simultaneously strong factional interests that benefitted economically from changing the formal and informal rules of distribution for economic rights and benefits on the one hand, and maintaining them on the other, it was very difficult to sustain support for the change. This was because it pitted one factional interest against another and thereby potentially undermined the survival or reproduction of the ruling coalition. Similarly changes could seldom be sustained when those being confronted were financers of the coalition or were very powerful top echelon members of the ruling party coalition, and the industry had limited holding power.

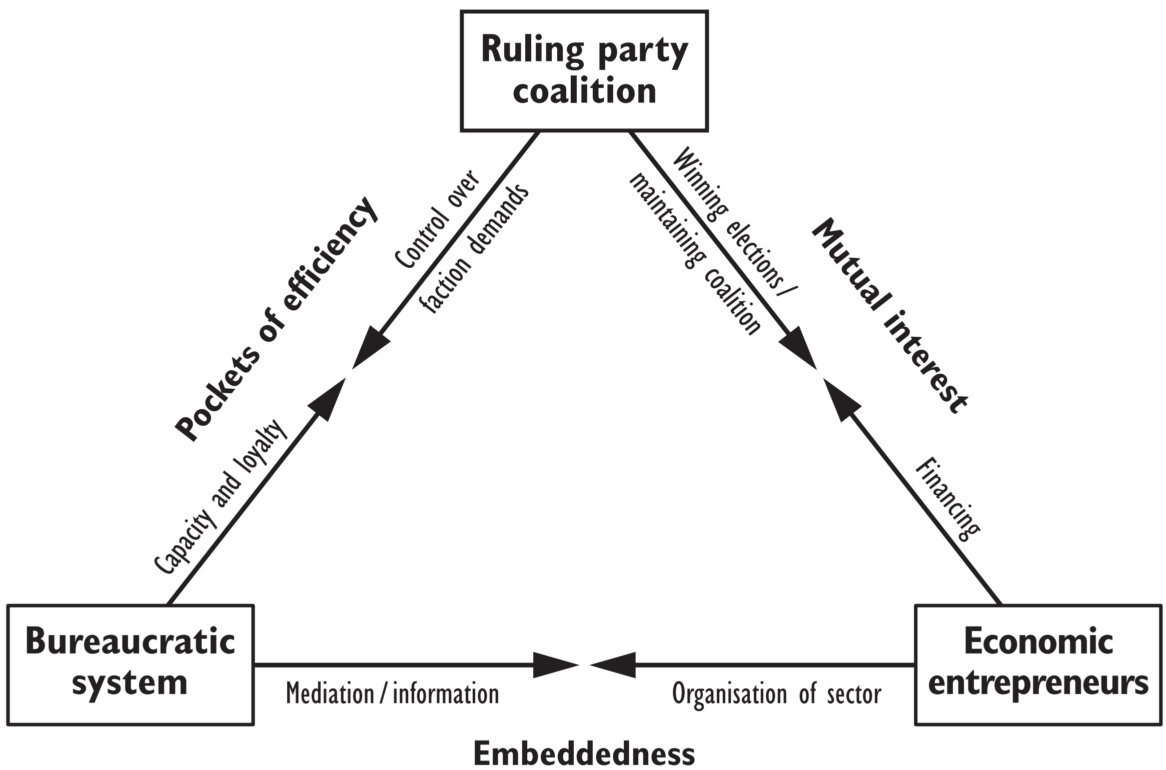
Therefore tapping into the ruling party coalition's priorities concerning political survival was important in gaining support. Political survival can be secured through electoral victory, coalition maintenance, state expansion and control over opposition areas, or reforms of the economy and the political domain. But it became clear that specific interests could tip the balance for or against a particular initiative if the initiative did not bring the overall existence of the ruling coalition into doubt. As such, ideological projects concerning state unity and the transformation of society, which would always be part of the picture, could indeed be elevated and gain in importance, particularly when ideological reiteration could mobilise key factions in favour of a particular policy, as was the case for the sugar sector.

[26] In the same vein, what the economist refers to as the 'comparative advantage' of an industry also seems important in choosing sectors, particularly for state economists and investors in the industry. In a broader sense than comparative advantage, a past 'track record' is often used by politicians and bureaucrats to illustrate which sectors are promoted, as they have a track record for the delivery of social and political goals. This was clearly the case for cashews and sugar. Therefore, the ruling elite seems to be building on existing productive capabilities – and these are historically rooted.

But ruling coalition support alone could not explain why some sectors were supported and not others. It was clear that, besides political support, bureaucratic support was crucial, as the bureaucracy was needed to act as both an embedded and a mediating bureaucracy when the rules of the game for the formal and informal distribution of economic rights and benefits were renegotiated, something which can often only be found in certain 'pockets of efficiency' created either within the state organisation or for a period outside the state. This, combined with industrial or entrepreneurial holding power, was important in understanding support to and the success of productive sector initiatives.

The specific multi-dimensional relationships between the ruling party coalition, bureaucracy and economic entrepreneurs that emerge as the key explanatory factors of success or failure in the above analysis of the four case studies can be depicted as attempted in Figure 1 (see below). The figure is based on Ole Therkildsen´s earlier work with Korten's (1980) model for requirements in the learning approach for programme and project implementation (see Therkildsen 1988: 196-199), which we have partly adapted and partly further developed so that

Figure 1. Key explanatory factors of success or failure



it suits the context of specifying the relationships between economic entrepreneurs, ruling coalitions and implicated bureaucracies.[27]

The figure provides a summary of the specific relationships between the ruling party coalition, the bureaucracy and economic entrepreneurs, but a key point in the Korten and Therkildsen figure that we have adopted – and the broader theory behind the figure – is that it is the extent or degree of fit in the various relations that influence and explain positive and negative outcomes. The poorer the fit between the three explanatory factors - emergence of pockets of efficiency, mutual interest and embeddedness - the worse the outcomes. The figure therefore shows that three types of fit have to occur simultaneously to secure good outcomes.

The model shows that pockets of bureaucratic efficiency, mutual interest between the ruling party coalition and economic entrepreneurs, and the embeddedness of bureaucrats and economic entrepreneurs are outcomes where there is a 'fit' in a specific relationship. The existence of pockets of bureaucratic efficiency, mutual interest and embeddedness can therefore not be taken for granted, as they need to be constantly produced and asserted.

For mutual interest – this is the first fit – to materialise between the ruling elite and economic entrepreneurs, tensions between what the ruling party coalition consider important and what economic entrepreneurs can offer for this to happen need to be resolved in such a manner that political support will be forthcoming. One should expect this to be a simple matter, as, due to the particular way in which privatisation was pursued after the liberalisation of the economy from the mid-1980s, with a considerable transfer of assets and rights to top Frelimo elite coalition members, there is a considerable overlap between the political elite and the group of economic entrepreneurs that has emerged in Mozambique. While this indeed is the case, it is less obvious for the productive sectors, as they generally take time to develop and require the investment of considerable financial, human and technological resources. Party coalition members who are engaged in economic activities are generally not found in the productive sectors, but in trade and imports, communication, parastatals (telecommunication, energy, water, ports, rail etc.), mining, and so forth, where there are easy and quick rents to be deducted. As described, this would often pit productive sector investors against key factions and/or financers of the ruling party coalition emerging from the economic sectors where there are considerable and quick rents to be extracted. When this happens, mutual interest can easily be undermined.

Due to the particular history of Mozambique, with its state-centralised economy, in most economic and productive sectors there are bureaucrats with experience from the colonial period, the state intervention years after independence and the economic reform years after 1985, who can potentially form pockets of bureaucratic efficiency. Furthermore, as their positions were secured after Frelimo took power in 1975, they are by and large loyal to the ruling party coalition. But this in itself cannot guarantee – this is the second fit – the existence of pockets of bureaucratic efficiency. For this to materialise, it is clear that latent tensions between factional coalition demands and bureaucratic capacity and loyalty need to be resolved in such a manner that the

[27] Figure 1 was originally developed by Ole Therkildsen and Lars Buur on 6 December 2011 at DIIS, with further elaboration taking place after the main author's subsequent return to Mozambique. The usual disclaimers apply, as the authors obvious take full responsibility for any mistakes and inconsistencies in the figure.

bureaucracy can still pursue and implement policy decisions. In most of the cases considered in this paper, this was not possible except for the bureaucracy of the National Sugar Institute, or else it became possible over time, as illustrated by the cashew sector and to a lesser extend for the poultry sector. For the semi-industrial fisheries no pockets of bureaucratic efficiency emerged. This does not mean that there were no pockets of efficiency in the fishery sector, but they were either related to the artisanal sector or industrial fisheries, both of which were not interested in promoting a national processing industry of relevance for the semi-industrial fisheries. When there is a fit between the interests of the bureaucracy and the ruling party coalition and between the ruling party coalition and the economic entrepreneurs, then there is a good chance that a specific productive sector initiative will have a positive outcome. To improve these chances, a fit between the bureaucracy and economic entrepreneurs is needed.

Finally, 'embeddedness' – this is the third fit – which the business-state literature has highlighted as the key for successful industrial policy to be implemented, is also an intricate outcome of the specific relationships between bureaucrats' knowledge and information about the sector or industry that is created through ongoing relations with relevant sector or industry actors. As the literature suggests, it is when actors move in and out of the bureaucracy and business that networks and 'embeddedness' emerge. This enhances bureaucrats' ability to collect and possess information, monitor business behaviour and articulate strategies for how to support particular sectors or industries, as well as their capacity to mediate between political and industry interests. This, on the other hand, often requires that industry or sector actors are organised so that collective action problems can be negotiated and resolved, as well as creating the necessary platforms for dialogue. Here it became clear that the organisation of industry or sector actors is nearly always promoted either by the state, as was the case for the sugar industry, where holding power (economic and organisational) was available, or by a third-party facilitating organisation, for example, by an international business NGO paying the initial transaction costs, as was the case for the cashew and poultry sectors, where the holding power was fragmented.

In conclusion, and as illustrated by these case studies, when the three types of fit are in place there tend to be better economic outcomes or success (sugar and cashew over time), whereas the failure or neglect of a productive sector is the outcome when there is a lack of fit between one or several of the three types of fit (semi-industrial fisheries and the ignorance of poultry). The existence of a perfect fit between the emergence of pockets of bureaucratic efficiency, mutual interests between the ruling party coalition and economic entrepreneurs, and the embeddedness of bureaucrats and economic entrepreneurs seems difficult to put on a set formula beyond what we have tried to depict in Figure 1. For the aid business interested in 'best practices' that can be replicated and harmonised in order to secure coherence in approach, it seems that productive sector development arising from the political economy of the implementation of policies defies such approaches. This may also be why mainstream aid programmes fit badly with productive sectors or industry development.

LITERATURE

Adams, M. (2008) Agriculture, Rural Development and Fisheries. Evaluation of Development Cooperation between Mozambique and Denmark, 1992–2006. September 2008. Working Paper 02: 1-72. Copenhagen: Danida.

Afonso, P. S. (2004) Country review: Mozambique, in (Ed.) C. De Young, *Review of the state of world marine capture fisheries management: Indian Ocean*. FAO Fisheries Technical Paper 488: 415-424.

Bartholomew, Ann (2008) Private Sector Development. Evaluation of Development Cooperation between Mozambique and Denmark, 1992–2006. September 2008. *Working Paper* 09: 1-36. Copenhagen: Danida.

Biddle, J. and Milor, V. (1997) Economic governance in Turkey: Bureaucratic capacity, policy networks and business associations, in S. Maxfield and B.R. Schneider (eds) *Business and the State in Developing Countries*. Ithaca and London: Cornell University Press.

Buur, Lars (2010): *Xiconhoca*: Mozambique's Ubiquitous Post-Independence Traitor. In Sharika Thiranagama and Tobias Kelly (eds.): *Traitors: Suspicion, Intimacy and the Ethics of State-Building*. Philadelphia: University of Pennsylvania Press (PENN Press). Pp. 24-47

Buur, Lars with Carlota Mondlane and Obede Baloi (2011): Strategic privatisation: rehabilitating the Mozambican sugar industry. *Review Of African Political Economy*. Vol. 38(128): 235-256.

Buur, L.and Whitfield, L. (2011) Engaging in productive sector development: Comparisons between Mozambique and Ghana, *DIIS Working Paper* 2011(22): 1-35.

Buur, L. (2011 forthcoming) Mozambique Political Settlement Analysis: From a Dominant One-Party State towards Competitive Clientelism?. Forthcoming *DIIS Working Paper*

Buur, L. and Baloi, O. (2011 forthcoming) Case Study: semi-industrial fisheries in Mozambique. Forthcoming *DIIS Working Paper*

Buur, Lars with Carlota Mondlane and Obede Baloi (forthcoming 2012): The White Gold: The role of Government and State in Rehabilitating the Sugar Industry in Mozambique. Approved: *Journal of Development Studies*.

Castel-Branco, C. (2002) *An investigation into the political economy of industrial policy: The case of Mozambique*. Thesis submitted for the degree of PhD., Department of Economics, School of Oriental and African Studies, University of London.

CEPAGRI (2009) *Balanço do PES 2008: Açúcar*. Maputo: Republica de Moçambique, Ministério da Agricultura. Janeiro de 2009.

Clément, Jean A.P. (2008) Introduction and Overview. In Clément Jean A.P. and Peiris, Shanaka J. (eds.) *Post-Stabilization Economics in Sub-Saharan Africa: Lessons from Mozambique*. Washington: International Monetary Fund. 1-10.

Club of Mozambique (2011) Mozambique's cashew processing industry employs over 9,000 people. October 20, 2011. http://www.clubofmozambique.com/solutions1/sectionnews.php?secao=business&id=23104&tipo=one

Cramer, C. (2006) *Civil War is Not a Stupid Thing: Accounting for Violence in Developing Countries*. London: Hurst and Company.

CTA (2011) Regional preparatory meeting for the 2011/2012 cashew campaign. *Confederação das Associações Económicas de Moçambique Newsletter* October 12, 2011. No. 70.

Danida (1996) *Evaluation of the Danish Assistance to the Fisheries Sector in Mozambique*. Volume II: Annexes. Danish Ministry of Foreign Affairs, Copenhagen. Ref. no. 104 Moz.l/Fisk/Eval February 1996.

Doner, R. and Schneider, B. (2000) *Business associations and economic development: Why some associations contribute more than others*. Business and Politics, 2(3): 261-88.

Doner (2009) *The Politics of Uneven Development: Thailand's economic growth incomparative perspective*. Cambridge: Cambridge University Press.

Evans, Peter. 1992. The State as Problem and Solution: predation, embedded autonomy, and structural change, in *The Politics of Economic Adjustment* (eds) Stephan Haggard and Robert Kaufman, Princeton: Princeton University Press, pp. 139-181.

Evans, P. (1995) *Embedded Autonomy: States and Industrial Transformation* (Princeton, NJ: Princeton University Press).

Evans, P. (1997) State structures, government-business relations, and economic transformation, in: S. Maxfield and B.R. Schneider (eds) *Business and the State in Developing Countries*, (Ithaca and London: Cornell University Press), pp. 63-87.

Giddens, A. (1990) *The consequences of modernity*. London: Polity Press.

Goodison, P. (2007) The ACP experience of preference erosion in the banana and sugar sectors. *ICTSD, Issue Paper*, No. 7. 1-66.

Hanlon, J. (1996) *Peace Without Profit: How the IMF Blocks Rebuilding in Mozambique* (Oxford: James Currey).

Hanlon, Joseph and Smart, Teresa (2008) *Há Mais Bicicletas: mas há desenvolvimento?* Maputo: Kapicua Livros e Multimédia, Ltd.

INA (1996) *Politica e Estratégias para o Desenvolvimento do Sector Açucareiro* (Resumo Executivo) (Maputo: Ministério da Agricultura e Pescas, Instituto Nacional do Açúcar).

INA (2001): *O sector do Açúcar em Moçambique: Situação actual e perspectivas Futuras* (Maputo: Instituto Nacional do Açúcar, Ministério da Agricultura e Desenvolvimento Rural. República de Moçambique).

Intellica (2009) *Versao Final Relatório de Avaliasao do Plano Director das Pescas 1994-2005*. Maputo: Ministerio das Pescas, May 2009.

Khan, M. (1995) State failure in weak states: A critique of new institutionalist explanations, in: J. Harriss, J. Hunter and C. Lewis (eds) *The New Institutional Economics and Third World Development,* (London: Routledge).

Khan, M. (2000) Rents, efficiency and growth, in: M. Khan and S. Jomo (eds) *Rents, Rent-seeking and Economic Development: Theory and Evidence in Asia,* (Cambridge: Cambridge University Press), pp. 21-69.

Khan, M. (2010) *Political Settlements and the Governance of Growth-Enhancing Institutions*. http://eprints.soas.ac.uk/9968/1/Political_Settlements_internet.pdf

LMC (2004) *Appraisal of the Impact of Sugar Pricing Policy and Investment in the Sugar Industry of Mozambique* (Maputo: National Sugar Institute, Mozambique)

Manhice, Andre (2011) Marcelino dos Santos insiste que o país deve regressar ao Socialismo. O País, Quinta-feria, 11 de Agosto de 2011. Pp. 20

Maxfield, S. and Schneider, B. (1997) *Business and the State in Developing Countries* (Ithaca and London: Cornell University Press).

Mosca, J. (2011) *Político Agrárias de (em) Mocambique (1975-2009).* Maputo: Escolar Editora.

MOZAMBIQUE 183 (2011). News reports & clippings13 July 2011 http://www.open.ac.uk/technology/mozambique/pics/d130989.pdf

Pitcher, M. Anne (2002) *Transforming Mozambique: The Politics of Privatization, 1975-2000*. Cambridge: Cambridge University Press.

Renzio, Paolo de and Hanlon, Joseph (2006) *Contested Sovereignty in Mozambique: The Dilemmas of Aid Dependence*. Working Paper. Oxford: Global Economic Governance Programme. 1-26.

Schafer, J. (2001) Guerrillas and Violence in the War in Mozambique: Desocialization or Re-socialization, *African Affairs* (100): 215–37.

Schneider, B. (1993). The career connection: A comparative analysis of bureaucratic preferences and insulation. *Comparative Politics,* 25(3): 331-350.

Sousa, Clara de and Sulemane, José (2007) Mozambique's Growth Performance, 1960–96. In, Ndulu, Benno J., O'Connell, Stephen A., Azam, Jean-Paul, Bates, Robert H., Fosu, Augustin K., Gunning, Jan Willem and Nijinkeu, Dominique (eds.). The Political Economy of Economic Growth in Africa, 1960–2000. Volume 2, Country Case Studies. Cambridge: Cambridge University Press. (CD-Rom).

Sumich, J. and Honwana, J. (2007) Strong Party, Weak State? Frelimo and State Survival through the Mozambican Civil War: an analytical narrative on state-making. *Crisis States Working Papers Series* No.2(23). ISSN 1749-1800 (online)

Standing, Andre (2008) *Corruption and industrial fishing in Africa*, U4 ISSUE 7, CMI: www.U4.no/document/publications.cfm

TechnoServe (2010) *Making Chicken Fly*. Prepared by Rob Whiting for TechnoServe, February 2010.

Thorup, R. and Durand, F. (1997) A historical view of business-state relations: Colombia, Peru, and Venezuela compared. In S. Maxfield and B. Schneider (eds) *Business-state relations in developing countries*. Ithaca: Cornell University Press.

West, Harry (2005) *Kupilikula. Governance and the Invisible Realm in Mozmabique*. Chicago: The University of Chicago Press.

Whitfield, L. and Therkildsen, T. (2011) *What Drives States to Support the Development of Productive Sectors? Strategies ruling elites pursue for political survival and their policy implications*. DIIS Working Paper 2011:15