

DEMOCRACY AND HUMAN RIGHTS

HOW DID THE WINE GET WATERED DOWN?

A Political-economic Review of Development
and Democracy in Mozambique in Light of the
Limited Access Order Model

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A success story gone wrong? Time and again, developing countries once considered to be great hopes or success stories end up making negative headlines. This paper contributes to explaining why »development« often does not proceed as the Western world envisions.



International cooperation is often based on false development hypotheses. Using Mozambique as an example, we document and show how a »donor favourite« can face challenges of state failure and violent conflict.



Cooperation aimed at development, prosperity, overcoming hunger and poverty, and at internal and external security can succeed only after a realistic assessment of a country's political, economic, social and cultural circumstances.

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1

INTRODUCTION: A FRESH LOOK AT THE RELATIONSHIP BETWEEN DEVELOPMENT AND STATE*

International perceptions of Mozambique have changed considerably in recent years. After the 1992 Peace Treaty, which ended 16 years of destabilization and bloody civil war, this country on the Indian Ocean was long considered an example of successful internationally supported mediation, democratization and post-conflict reconstruction, including economic growth and poverty reduction.

More recently, however, cracks have begun to appear in the success story. The economic model pursued so far has brought the country little development. The Human Development Index (HDI) has stagnated for years at a very low level (180th out of 188). Despite above-average growth rates, the expected economic catch-up process has not materialized and poverty rates have fallen only very slightly in the past 15 years and in some areas not at all (World Bank 2014; PNUD 2018). The Gini coefficient of income distribution is unfavourable, especially in the form of an urban–rural divide. Growth effects have not reached the poor sections of the population (World Bank 2016a).

Public investment, especially in key areas of poverty reduction, such as rural development, health care and education, remains low and does not provide a stable foundation for a developmental state (World Bank 2015; Castel-Branco 2016; Republic of Mozambique 2019). The country's fragmented economy relies on the extractive sector and large-scale infrastructure projects, but it creates few formal jobs outside the civil service. Small and medium-sized enterprises and agriculture remain poorly developed and are rarely competitive. Increasing and unsustainable public debt at home and abroad, chronic foreign trade deficits and systemic corruption thwart development efforts.

The quality of democracy is deteriorating or stagnating (see, among others, EIU 2017). Although elections take place regularly, they are overshadowed by irregularities and

violence. »Good governance« and the fight against corruption are falling by the wayside (see Appendix). Political intolerance and repression are on the rise, while confidence in state institutions and a functioning separation of powers is low (see, among others, the HDI, MAP 2016, and the World Governance Indicators in the Appendix). The resurgence of the civil war in the form of a low-intensity conflict in 2013 – which reaching a »definite« settlement with the peace agreement between the government and the armed opposition party Resistência Nacional Moçambicana (Renamo) in August, 2019 – has long heightened insecurity. The implementation and stability of the agreement remain to be seen, however. Moreover, the emergence of a jihadist terrorist zone in the far north of the country (Weimer 2018), the growing importance of Mozambique as a drug transfer centre (Hanlon/Smart 2008; Jett 2016; CIP 2018), with a concomitant increase in criminal activity, as well as an inconsistent, non-transparent state response to the new security challenges are sources of political instability.

These relatively sobering trends are in contrast to the international cooperation discourse on Mozambique that prevailed until recently. After the discovery of immense natural resources, the country was considered a candidate for a »new« cooperation with Africa. Such cooperation would rely on the power of liberal economic policies, national entrepreneurship and free trade to promote economic development and social progress. The deepening of liberal democracy and the improvement of the quality of state institutions and governance are also part of the cooperation toolbox.

The narrative shift in *The Economist* from »The Hopeless Continent« (March 11. 2000) to »The Hopeful Continent: Africa Rising« (December 2., 2011) was representative of Africa's much-praised new dawn. In 2014, the International Monetary Fund (IMF) organized a high-level conference in the Mozambican capital Maputo under the similar title »Africa Rising: Building to the Future«, to »take stock of Africa's strong economic performance, its growing resilience to external shocks, and the existing economic challenges«.¹

* The final editing of the study took place a few weeks before the signing of an agreement to definitely end military hostilities and a treaty on peace and reconciliation between the government and the armed opposition Resistência Nacional Moçambicana (Renamo) on 6 August 2019. Both documents were ratified by Parliament in a special session. This state of affairs does not affect the present analysis, however, as it takes up the issue of political elite settlement as a line of argument. The opinions expressed by the authors are strictly personal.

1 Republic of Mozambique – International Monetary Fund Conference, 29–30 May 2014, Maputo; <http://www.africa-rising.org/>.

That was a year before the discovery of the so-called »hidden debt«, triggered by illegally guaranteed government bonds for the dubious semi-state tuna fish company EMATUM, which at present – in combination with two other dubious financing operations for the companies MAM and Proindicus – constitute an excessive USD 2 billion burden on the Mozambican state budget. These debts led to one of the worst financial and economic crises in the country's history and caused »poster child« Mozambique to fall out of favour with donors and analysts.

How did the wine get watered down? And how to explain the long-standing divergence between a discourse on »catch-up« and poverty-reducing development, on one hand, and the alarming signs of a lack of transformation, on the other?

Using political-economic instruments, this paper analyses the context of international cooperation with Mozambique. It uses the so-called »North model«, a framework developed by Douglass C. North, the founder of New Institutional Economics, and his collaborators for the political and economic analysis and interpretation of the problems of development and underdevelopment, violence and the rule of law, known as »limited access and open access order« (LAO/OAO) (North 2013). In what follows, we will try to describe Mozambique's development to date on the basis of the criteria of this model – political and economic institutions, ruling power elites and the main benefits of the system – and to draw conclusions for cooperation aimed at promoting democracy and development under prevailing political and economic circumstances.

2

THE LIMITED ACCESS AND OPEN ACCESS ORDER MODEL

Ever since the publication of the 2002 World Bank Report the buzzword »institutions matter« has been on everyone's lips. Since well before the success of Institutional Economics and the award of the Nobel Prize to its »father«, North, it has been known that economic success, democracy and social development depend to a significant degree on »improved institutions« (North et al. 2013, p. 1; Shirley 2010; World Bank 2002). They exert more influence on a country's economic growth than other explanatory factors (IMF 2017).

But it is also known that there are both »formal« and »informal« institutions. In contrast to the formal, fixed-in-writing, official and rule-bound institutions, informal institutions above all comprise habits and customs, morals, norms and corresponding behaviour, lived and internalized, be it in society as a whole or in parts of it. The two types of institutions coexist, complement and permeate one another. They can be in harmony but also enter into conflict. When formal and informal institutions do not sufficiently harmonize, the state, society and economy face a development problem. This happens, for instance, when large parts of the population, contrary to the constitution and the law, are excluded from access to power, resources and state services due to political orientation, ethnicity, social status or gender.

Against this background and the fact that politics, power and economics in developing countries in general are inseparable, North and his colleagues have addressed the problem of an adequate development policy. The still predominant Washington Consensus² of 2000 assumed in principle that development consists of exporting and implementing the recipes and institutions of Western countries, subsequent to which development would surely set in and generate growth. This view is primarily based on the recognition of the importance of formal, that is, »official« institutions as necessary condition for state led development.

Reality in developing countries is often very different, however. Already in the mid-1970s, Nigerian social scientist Peter P. Ekeh pointed out that the distinction between the public sphere, in which policies are debated and shaped,

and the private sphere only applies to Africa in a very restricted sense. Politics and economics, state institutions and »traditional« power structures are strongly interwoven and state institutions in the public sphere are often discredited as a legacy of the colonial past (Ekeh 1975). In this way, constellations develop in which rent seeking elites secure power, benefits and social status by monopolizing access to economic and political resources. These are societies with limited access to any of those resources and benefits and to the constitutionally enshrined rule of law. The separation of powers and other checks and balances are usually not sufficiently effective, even if formally present.

Such a »limited access order« (LAO) is characterized by the assumption that conflict and violence – the central problem of any society – are limited by regulating economic interests in the political system. Elites create rents so that it is in the interest of powerful (dominant) groups and/or individuals not to use force. Political and economic incentives and strategies for dealing with violence and power cannot be separated.

Dominant elite coalitions are formed when members of a group trust one another, but not other groups that also have power over resources, including people and territory. When these groups join forces in a »dominant coalition« and share resources and rents, they avoid conflicts that would jeopardize prosperity. But the rents of a non-violent coalition must exceed the benefits gained by the use of force. The leaders of such groups can help one another to disciplining their own groups so that no rival formations arise within their own group. In the absence of neutral institutions, these groups serve one another in mediating interests, as »third-party enforcement«. Such coalitions may include political parties and movements, ethnic groups, criminal groups/families or other networks (North et al. 2013, pp. 4f.).

In a functioning and stable LAO society, dominant coalitions are headed by opinion leaders whose privileged positions (for example, state president, leader of the dominant political party) secure cooperation within the dominant coalition. The combination of different power groups reduces the capacity of individual persons or groups to use violence, because their interests are aligned and they expect to be able to share the rents among themselves.

² The Washington Consensus basically calls for ultra-liberal economic policies and seeks to »introduce« the institutions operating in Western »open« societies in developing countries (cf. Levy 2014).

However, the concept of »rents« should not be understood to refer to rents arising from innovative or creative processes, which in general are temporary, but rather to those rents that are created by limiting access, by natural and public monopolies or by non-competitive structures (corruption). In the economic value adding process, they do neither correspond to a significant labour input nor to an employment effect. Rather, they create »unearned« income among the political and economic elites, especially in neo-patrimonial systems (Moore 1998). They do not contribute to competitiveness or to a general increase in prosperity. On the contrary, creating and defending such rents is ultimately the main aim of LAO societies.

The logic of how LAO societies solve the problem of violence has far-reaching implications for a country's economic and democratic development: limited rights and opportunities to form their own coalitions outside the dominant coalition for some, and numerous privileges for the creation and collection of rents for others. Economic competition is undermined. Local monopolies, restrictions on market entry, such as unequal access to education and capital, impede competitively organized markets, long-term growth and social mobility (North et al. 2013, p. 9).

LAO societies systematically and urgently face, or contribute to, the problem of poverty among broad sections of the population (Sumner 2016). The costs of maintaining the monopoly on the use of force in these societies can be very high. Challenging this monopoly, for instance by armed rebels and excluded or marginalized social groups, can quickly lead to political violence. Fragile LAO societies in particular then embark upon a development trajectory of vulnerability, moving between preserving the status quo, on the one hand, and the »shadow of political violence«, on the other, as Levy (2012) has shown for Zambia and Mozambique.

According to North, there are three main types of LAO: fragile, basic and mature. These are not clearly identifiable types but rather fluid, phenomena set in a continuum. The essential features of these three ideal or main types are shown in Figure 1.

The opposite model to LAO societies are so-called »open access orders« (OAO). These are characterized above all by far-reaching competition in the political and economic systems. Most rich nations correspond to a very high degree to an OAO as defined by North et al. (2007): there is competition in both politics and the economy. In markets and in politics, success beckons to those individuals and groups who can freely forge and build coalitions and business relationships. In case of conflicts or illegal actions – also by those in power – an independent, neutral judiciary, anti-monopoly authorities or a free press help to enforce rights. Typical of OAOs are democracies and economies with genuine multi-party systems, competitively organized markets and decentralized structures in the state, the economy and society.

Figure 1
Characteristics of an LAO

»LAO«
Closed societies – limited access

Core principle: The dominant elite coalition uses the political system for manipulating/regulating the economy so that rents are created that in general are unfavourable for the economy as a whole, but which bolster the rule of the dominant coalition and enable private appropriation for the few.

Fragile LAO: The dominant elite coalition has direct access to resources and force. There are hardly any institutional (state) structures or private organizations. The use of force is likely. Economic and political organizations are not really distinguishable, except perhaps multinational organizations.

Basic LAO: The state is a permanent, relatively stable, peaceful organization. All private organizations are closely integrated in it. Public institutions are more specialized and supply special goods for the dominant coalition. Selective use of force by state and non-state actors. All economic organizations are linked to the dominant coalition, some also to multinational organizations. Most political organizations are controlled by the state, for example, in a de jure or de facto one-party state or dictatorship. Opposition is forbidden and/or threatened.

Mature LAO: Approval of/support for (approved) organizations outside the state; more, albeit limited competition. Private organizations and businesses demand compliance of the state with negotiated commitments. The use of force is very limited. There are many private companies, and some multinationals. Market entry, requiring political contacts, remains restricted. Diverse political groups are present, depending, however, on central approval. The democratic process, if existing, is in general unable to endanger the economic centres of power.

Source: Authors, based on North et al., 2013.

North's LAO-OAO model describes the conditions for the transformation of institutions within the context of the transition of an LAO into an OAO by taking into account the political settlement, that is, the power of forging or negotiating constellations and »agreements« that allow or block a transformation. The focus is on the creation, preservation and (re)distribution of power and benefits in order to find conflict resolutions that serve the political and economic stabilization of the dominant coalition's position. According to North et al. (2013), the endogenous transition of a mature LAO with a sufficient degree of maturity to an OAO requires meeting the following two conditions:

- (i) It must be possible to create institutional arrangements that allow for impersonal transactions between elites and elite groups. This refers to the step from personalized social and political orders to impersonal ones, even if these continue to apply to a limited circle

Figure 2

Characteristics of an OAO**»OAO«****Open societies – open access**

Core principle: There is competition in the political and economic systems. The state formally and informally supports and protects freedom of organization and advocacy. Rents are difficult to obtain and defend. The state (parliament, government, the judiciary) controls all groups with the capacity to use force, that is, the military, the police or the secret services. At the same time, the monopoly of force lies with the state itself.

- a) Access to economic, political, religious and educational activities is open to all citizens.
- b) Support for organizational forms of all these activities is available to all citizens.
- c) The law is neutral and enforceable for all citizens.

Source: Authors, based on North et al, 2013.

What does all this have to do with Mozambique? In this paper we will spell out the model described by North et al. for a possible path of transformation for Mozambique, and describe the power elites and the sources of their rents. This should offer a more realistic picture of the development trajectory of the country to date, and where it stands at present. It will ultimately determine what role development cooperation can play in promoting democracy and development, and what instruments and fields of activity lend themselves to this purpose.

only. For this to happen there must be an incentive within the elites that enables them to better protect or exploit their resources.³

- (ii) The transition begins when members of the dominant coalition have an interest in expanding the radius of impersonal transactions (for example, transactions with »outsiders« to realize economic gains) and to that end gradually allow other groups to have access to the »order«.

Thus power elites need to consider their »encompassing interest« (Olson 2000), as a means of stabilizing the state and its tax base, politically and economically speaking.

An example would be a transformation project consisting of at least three elements, namely:

- (i) socio-economic inclusion, especially of commercially oriented small and medium-sized farmers, independent craftsmen and young people;
- (ii) horizontal and vertical redistribution of fiscal resources (for example, progressive taxation and the absorption of profits in capital income, cash transfers and fiscal equalization in favour of subnational tiers of government and communities); and
- (iii) a public finance management system that operates in a publicly accountable and efficient manner.

³ Property rights, for example, or the exploitation of real estate. Of course, such impersonal transactions may be made possible and desirable in and with other countries (international treaties), but not at home and for the majority of the population. In this way the elite is able to achieve selective legal protection.

3

MOZAMBIQUE'S TRANSFORMATION IN THE CONTEXT OF THE LAO-OAO MODEL

According to the North model, a political-economic system's degree of openness is often the result of a long history of conflicts. The erroneous assumption that every society moves in a linear fashion towards the goal of an OAO, or that governments seek to achieve this, underlies many development policy interventions. These often adopt an approach that assumes that a lot of help also helps a lot and that development always means heading in an open, participatory manner towards a process that ultimately amounts to catching-up. This should be seriously called into question, given what we know today, or rather may no longer be accepted as a working hypothesis (North et al. 2009 and 2013). In fact, Nobel laureate Deaton (2015) showed that foreign aid may also undermine the development of local state capacity, apart from creating an additional source of rent for the elites.

What does the situation and history of Mozambique look like from this point of view? Over the past 50 years, Mozambique has undergone an impressive dual transformation: from a politically and economically tightly controlled Portuguese colony (until 1975) via an independent Marxist-Leninist one-party state, including a centralized economy (1975 to 1988), towards a formally democratic multi-party system and an economy with market elements (1988 to the present) (Simons-Kaufmann 2003).

Despite the institutional change, typical LAO characteristics are prevalent. Both in the colonial period and in the Marxist-Leninist phase, but also in the current phase of formal democracy, political and economic access to resources and power has been »managed« by a relatively small elite, although a certain opening to other groups can be seen from about 1990 onwards. Nevertheless, violence or the potential for violence is very much present, as evidenced by the cruel civil war (1976–1992) fuelled by external forces (cf. Levy 2013; Jett 2016). Its »low intensity« recurrence between 2013 and 2017 only confirms this (Borowczak/Kaufmann 2017).

In colonial times, Mozambique was characterized by dictatorial governance, which lasted until the 1970s. The colonial policy was aimed primarily at siphoning off rents from land and people and directing them towards a small circle of licensed companies and settlers and towards the metropolis of Lisbon (Portugal) (cf. Newitt 2017).

When the Frente de Libertação de Moçambique (Frelimo) took power in 1975, the typical LAO situation continued, albeit with other political and economic institutional arrangements. The vacuum left by an overhasty decolonization was enormous. Local Mozambican capacities (skilled labour, capital, access to the world market) barely existed. Ideological convictions alongside pure necessity led to an alignment with the Soviet Union and its satellites and, consequently, to a political and economic structure with exclusive access, ultimately controlled by a very small group of 10 to 15 people (the Frelimo Politburo).

This phase focused first and foremost on providing basic services to the population, such as a modest and ideologically charged primary education and equally modest health care. A far-reaching nationalization of key enterprises and a reorganization of agriculture were initiated, with state farms and compulsory cooperatives. Political activist groups were mobilized and re-education camps were established, together with draconian measures against dissidents. Repression and the threat of violence were ever present.

The Frelimo one-party system began to disintegrate with the civil war in the 1980s. Although the Renamo rebel movement initially came into being with strong political, military and financial support from settlers and the apartheid regimes of Rhodesia and South Africa, it had many sympathizers in the country's centre who rebelled against the way Frelimo had gone ahead with the continuation and partial reconfiguration of a LAO regime (central control of the economy, collectivization of agriculture, disregard for traditional hierarchies and leaders, including traditional values, habits and customs).

Just like the beginning of the civil war in 1976, its end in 1992 with the Rome Peace Agreement was marked by a combination of external and internal influences. An agreement with apartheid South Africa in 1984 and international mediation from 1988 onwards helped end the war, together with a general exhaustion on both sides and the recognition that the Mozambican state needed a new constitution and an orientation towards more economic openness.

The 1992 peace agreement and the political-military UN presence to secure the ceasefire and demobilization paved the way for a phase of selective peace dividends (cf. Jett

2016), admittedly on the basis of a »winner-takes-all« understanding of democracy: The opposition emerging from the Renamo rebel movement remained largely excluded from access to state institutions, such as state administration, the police, state-owned enterprises as well as from sources of economic benefit (cf. Weimer 2000). Reconstruction was driven by generous support from Western donors and multilateral institutions. A first upturn started around 1996.

Since 1994, Mozambique has held national parliamentary elections every five years. Local elections have been held since 1998. The country quickly became an »aid darling«, not least because of the successful UN peacekeeping mission (1992) and the ensuing peace dividends for many, except women (MULEIDE et al, 2019). In 2009, one-third of the state budget comprised official development assistance (ODA) (cf. Eaglestone 2016). Since then the trend has been proportionally downward, but nevertheless about USD 3 billion in aid of all kinds has been flowing in, accounting for approximately 27 per cent of government revenues (cf. African Futures Project 2017, p. 46). Since mid-2005, foreign direct investment (FDI) has also increased substantially, not least through significant large-scale extractive projects (gas, coal, heavy sands, the MOZAL aluminium smelter and so on). New sources of income have been tapped into and economic growth rates have been above average, albeit at a low absolute level.

The »new« LAO equilibrium was made possible, in particular, by the following structural changes:

- a new constitution, resulting in competitive multi-party elections that established the armed opposition as the second largest party in parliament;
- the integration of former Renamo fighters in the army, but not in the police and other state security services, as envisaged by the 1992 Rome peace treaty;
- economic opening in the context of IMF structural reforms, and the cancellation of most price controls plus privatization and the first FDI, the introduction of market elements and increased development aid;
- improved inclusion of the rural population or rather its traditional leaders (*Régulos*);
- opening up of the dominant Frelimo party, with a sharp increase in membership and more diversified inner »circles«, tendencies and power groups (Machel group, Chissano group, Guebuza group, the military, war veterans, local politicians and so on), while appearing to remain closed to the outside world.

With these changes, the opposition – Renamo and its leadership – could be »restrained« for a considerable period of time. It obtained representation in parliament, accompanied by a certain income and privileges for its deputies. The party received grants and advice from foreign foundations (for example, the German Hanns Seidel and Konrad Ade-

nauer Foundations). The now deceased (May 2018) head of Renamo, Afonso Dhlakama, received substantial benefits (including real estate, revenue from mining) from international organizations and later from Frelimo itself. Not least because of the control and use of these benefits his support among the rural population in the country's centre remained unbroken. However, repeatedly disappointed electoral expectations, poor leadership and internal disputes ultimately led to the breakaway of a faction and the foundation of another opposition party under former Renamo member Daviz Simango, the *Movimento Democrático de Moçambique* (MDM). This hampered the strengthening of Renamo as a political force and posed a serious challenge to the existing balance of power (cf. Borowczak/Kaufmann 2017).

The situation was also »stabilized« by the following activities and circumstances. Time and again tendencies, groups and power circles within Frelimo have been able to negotiate internal power claims and benefits within the dominant coalition, and the dominating elites remained numerically tightly limited over the years and rallied together until very recently. This has so far contributed to the stabilization of the »Mozambique System« (cf. EIU various volumes; Hanlon 2008; di Renzo 2008). In addition, presidents and ex-presidents, ministers and former ministers and party leaders of all kinds (cf. Savanna 2016) cooperated in a kind of »elite recycling« (Macuane) to prevent the party from »imploding« (EIU 2016).

After a tentative separation of party and state in the last phase of the Chissano presidency (1992–2004), they merged again under the presidency of Armando Guebuza (from 2005 onwards). Opportunities for patronage and privileges have been created for the growing number of party members through the creation of more posts in the civil service and public enterprises, and – in the districts – via the so-called »7 Milhões« (7 million) district fund. The political-economic system still remained extractive and distributive in character, not geared towards diversified agricultural production and manufacturing. In addition, the party has been able to expand its economic interests, so that elite sources of rents expanded from small-scale to large-scale operations and into other economic sectors and fields of operation (Weimer et al., 2012).

Important developments include:

- The re-privatization of state-owned enterprises (around 1,200 small and medium-sized companies) under the first structural adjustment programmes from the mid-1980s to the mid-1990s. The transfer of ownership to private individuals was often made to unsuitable persons, selected only because of their proximity to or membership of Frelimo (Pitcher 2002).
- The re-privatization of numerous properties. This concerns real estate (housing, business premises, offices, industrial buildings) for the most part abandoned immediately after independence in 1975 by fleeing Por-

tuguese citizens, and which initially were managed by the specially established real estate holding company APIE. From the early 1990s onwards, these properties were handed over to the privileged at extremely low prices, so that the party created a large number of real estate landlords, who to this day partly live off rental income (often paid by foreigners in foreign currency).

- Land rights (speculative land titles, called DUATs) are granted to well networked individuals on favourable terms and can be brought into new joint ventures in the case of development or commercial use, or »re-sold«. The same applies to natural resources, such as timber and other raw materials (cf. among others, Chichava 2015).
- Well-paid positions in state enterprises and contracts are »awarded« to party members and related parties, not always according to suitability or efficiency criteria (Weimer et al. 2012). Jobs in state enterprises are often associated with considerable perks (houses, car, health insurance, scholarships, shopping vouchers). Positions are sometimes »sold« (for example, in the customs authority).

Under pressure from donors and international organizations, many elements of the Washington Consensus have been implemented and the economic space of manoeuvre increased, albeit in a difficult economic climate and often with the participation of the dominant coalition only. Import businesses are often conducted through party-affiliated circles, leading to benefits that do not allow for fair competition and provide little or no incentives for import substitution. Large infrastructure projects, public–private partnerships (PPPs), large-scale loans (Cahora Bassa, EMATUM) and, not least, large foreign investments in extractive industries are engineered through »local partners«, and corresponding free-»take away« participation is negotiated or kick back payments agreed upon, despite sharply rising national debt at home and abroad (Massarongo 2016). Raw materials, especially the huge coal and gas deposits, are important objects of rent-seeking. Contracts with foreign investors are largely unknown or nebulous, despite the Extractive Industries Transparency Initiative (EITI). The taxation of capital gains on the sale of shares in investments is »negotiable«, not very transparent and has probably led to elite enrichment, especially in the Guebuza era (Macuane/Buur/Monjane 2017).

The inflow of aid increased and international development cooperation used, among other delivery modalities, direct budget support, which increased the scope of government action (Hanlon 2004; Castel Branco 2008). This has enabled the creation of positions generating various benefits and the expansion of the patronage system, whether through positions in bilateral projects or through the corresponding allocation of funds and procurement activities. Although the improvement of public budget management has been an international development cooperation priority for years, and a number of significant reforms and innovations have been

introduced, in close cooperation with the IMF and increasingly with budget support, which have led to some major improvement in the public finance system (Hodges/Tibana 2005; APRM 2009, pp. 172ff.), a large part of public spending is still off budget, as is the case with public enterprises. The scope for abuse thus remains significant and is exploited accordingly (see, for example, Mosca/Francisco 2016). Furthermore, managing⁴ (selection), tendering, awarding and transparency of public investments are among the worst in the whole of Africa (Republic of Mozambique 2019, p. 46).

»Outsider elites« have been co-opted or could be »placated« by donations. PPPs have gained in importance and created scope for large-scale distribution of rents and posts, as well as the increasing use of state-owned enterprises and parastatals as »job machines« and informal distribution platforms. The total debt of state-owned enterprises in national banks or abroad is unknown. Also, obligations due to bank guarantees or to generously issued »comfort letters«⁵ in the public sector are non-transparent. Often these firms do not pursue rational economic aims or development interests, but are sinecures for minions of the system (for example, former ministers, party members, freedom fighters) (Lima 2017). Most state-owned enterprises, such as the postal service, state television and radio, or the energy provider EdM and the airport operator AdM, are not profitable.

Infiltration and/or co-optation of non-governmental organizations (NGOs), and intimidation of, and threats to, intellectual and media critics – including their association with the political opposition – have largely undermined necessary debates on reform issues, development strategies and policies, as well as corruption. Participation, for instance regarding prioritizing government spending, is non-existent or not welcome and is internationally considered »inadequate«⁶ (see, for example, the International Budget Partnership 2015; Nylen 2014; Killick; Castel-Branco/Gerster 2005). There is a network of key positions in party, state administration, the military and the economy that tends to »recycle« the same individuals from the elite over and over again (Macuane 2010; Nhantumbo 2016; MASC et al. 2018). This has implications for the nature of political settlements, and hinders fair competition and the development of independent actors who could challenge the existing balance of power, a typical LAO description.

In addition, the discretionary and largely non-violent negotiation of power and resources has become more difficult. Under Guebuza, the state initially responded more violently, both to Renamo and to other civil society opposition groups, individuals and media representatives (there have been, for instance, multiple unsolved political mur-

⁴ See the *Public Investment Management Assessment (PIMA)*, in: Republic of Mozambique (2019).

⁵ Comfort letters are unofficial state guarantee letters to banks that »promise« repayment of credit granted to state enterprises.

⁶ In the end, the debt scandal of 2016 is only the spectacular climax, which has become public.

ders and attacks). Military rearmament also occurred (loans and equipment purchases), as well as the outbreak of a »small war« with Renamo fighters in the central region of the country (2013–2017) and three attempts to assassinate its leader. Growing pressure due to the tense economic situation and the hidden debt scandal, which severely limited benefit opportunities, as well as the increasingly critical positioning of national and international players, eventually forced the dominant coalition into making concessions.

The electoral victory and takeover of power by Frelimo President Filipe Nyusi in 2014, which caused a great deal of controversy within the party, heralded a new distribution and bargaining contest within the dominant coalition. The Guebuza economic empire and heritage is being called into question by some and claims by newcomers are being formulated (for example, by the war veteran retired general Alberto Chipande). It seems to be becoming more difficult for the party to hold groups and interests together; critical voices (e.g. from Graça Machel, Joaquim Chissano) are made audible and open dissent (Samito Machel) has been observed. It remains to be seen how the leadership will deal with the growing challenges to the cohesion and unity of the party under conditions, in which, from former president Guebuza's view, even ethnic cards are being played out.

As of 2012–2013, Renamo was increasingly expressing its displeasure at the non-implementation of the Rome Peace Treaty, including the non-enforcement of employment in the public service/state enterprises, state administration and the military. Repeated allegations of manipulation in national and regional elections and the sluggish implementation of decentralization intentions have contributed to a crumbling of the acceptance of the status quo on the part of Renamo (Weimer 2013; Weimer/Carrilho 2017; Borowczak/Kaufmann 2018). The bilateral negotiations between President Nyusi and Renamo President Dhlakama from 2017 onwards can be interpreted as a political gain for the opposition party within the overall political and economic fabric. However, the current internal conflict between factions and wings inside that party and the difficult agreement on a successor following the death of its long-time political and military leader Dhlakama jeopardize its gains in political credibility and influence.

The difficult economic conditions, the poor economic growth rates, the increasing plundering of state enterprises and the provision of privileges for party members have increasingly exhausted the state. Its capacity to provide public services and goods has dropped (CIP 2016c; Nhanumbo 2016), and it is showing signs of fragility. Financing will no longer be borne automatically by externally induced growth via FDI or budget support. Years of pursuing quick rents while neglecting productivity improvements, diversification and external balance, are starting to take their toll. The relative position of Mozambique in terms of competitiveness – even by regional comparison – remains consistently poor; by contrast, the »costs« of economic ac-

tivity with low productivity remain high (Abbas/Bruna 2016). This is one reason why in many sectors only little investment is flowing into Mozambique and value chains in the country are kept short. The numerous, mostly donor-financed reform programmes have so far failed to improve the economic climate in a sustainable way, or to bring about a transformation from a rent based and distribution economy to a production economy. The negative consequences of the prevailing economic model are becoming increasingly noticeable to the population. The risk of social unrest has become higher as is the tendency to quell protests with violent means. The alleged »golden solution« through gas and oil reserves is not immediately available, as anticipated, but at the earliest from the mid-2020s on.

The increasing internal and external indebtedness of the Guebuza government was incurred mainly to promote extractive industries and military rearmament (MAP 2016, pp. 61 ff; Castel-Branco 2016; Massarongo 2016). According to current research, it can be assumed that the illegal state-guaranteed bonds to the value of approximately 2 billion US dollars have at least partly seeped into corrupt channels (see, among others, Jones 2016; Tibana 2016; Africa Confidential 2016; Williams/Isaksen 2016). In general, indications have been growing over time that members of the political and economic elite are personally involved in or covering up illegal businesses (drug trafficking, illegal timber exports and so on) (Jett 2016; Hanlon/Smart 2008). A recent study by the Centre for Public Integrity (CIP) and the Chr. Michelsen Institute (CIP 2016c) estimates that the economic »cost of corruption« was around one-third of GDP representing almost 200 per cent of government investment and many multiples of official development aid (CIP 2016c, pp. 42, 48). Emblematic cases of corruption slow progress in poverty reduction with growing wealth and income disparities have, have cast more doubts about the government's development orientation, and have led to a loss of confidence among broad sections of the population (World Bank 2014; Wuyts 2016; Massarongo 2016, p. 123 ff.; MEF 2016).

The suboptimal but comparatively stable LAO equilibrium described above has been under pressure since the elections in late 2014 (Institute for Security Studies 2016; Jett 2016; Borowczak/Kaufmann 2017). The taking of office of President Filipe Nyusi and the direct talks with the now deceased Renamo leader Dhlakama at his »command centre« in the Gorongosa mountains, initiated by the Swiss embassy upon Nyusi's initiative, started a process that might lead to the opening up of the Frelimo-dominated LAO. Negotiations have resulted in a far-reaching agreement on decentralization, which is reflected in a substantial constitutional amendment of May 2018. It envisages democratic decentralization at provincial level, although many institutional, fiscal and financial questions still remain unanswered. Central in this context are the governors elected through party lists and the future election of district administrators (Weimer 2018a). In addition, the leaders of Frelimo and Renamo have agreed to disarm and

disband the Renamo militia and to integrate part of their fighters into the army and the police. However, Implementation progress of this important prerequisite for a new political settlement is slow.

It remains to be seen how the agreements resulting from the peace negotiations with Renamo are implemented, publicly perceived and whether they will be sustainable. Among other things, this will depend on the quality and the level of acceptance of the October 2019 elections and the results of decentralization efforts and promises, as well as on financial transfers that will have a significant impact on the development of the current LAO balance and the dominant elite.

4

IMPLICATIONS OF THE FINDINGS FOR DEVELOPMENT

In a formal sense the democratic transformation of the country after a one party regime has been completed, producing a hybrid system of democracy with authoritarian features. But, despite existing and sometimes exemplary laws and regulations, checks and balances remain weak and highly personalized or corrupted. A highly clientelist system under the patronage of the ruling party helps it to secure economic benefits and maintain power. There is only modest interest in fair political competition and independence of institutions. Since the liberation struggle, Frelimo has claimed power, which no one else considered to be legitimate (Rosa Luxemburg Foundation 2017; Darch 2018; Weimer/Carrilho 2017). Access to institutions and resources is ultimately restricted to a small group of people. State and party are hardly separated. The dominant coalition is authoritarian, power-conscious and occasionally violent. The separation of powers within the state is incomplete.

Formally, the transformation from a centrally planned towards a market economy, has been completed as well (Bertelsmann Transformation Index; Simons-Kaufmann 2003). Macroeconomic stability with high growth appeared to prevail for quite some time. This was based on a largely credit-financed »consumption economy«, which in essence is a service economy with an insignificant industry and a marginalized agriculture, and without domestic accumulation of capital for productive investment. The existing megaprojects in the extractive and infrastructure sector contribute little to the industrialization and diversification of the economy (Langa/Mandlate 2015). Few, if any jobs are being created (Darch 2018, p. 8). In addition, the economy is extremely open, foreign-dependent, import-heavy and thus vulnerable to external shocks (imported inflation, world market prices and so on).

The consequences of this economic and social model and its evolution over the past two decades are clearly visible: they can be described as »growth and preservation of the elite without development«. Even the two-digit growth rates from 2001 to 2013, which in fact are attributable largely to investments in mega-projects (such as railways and roads) and in extractive enclaves, cannot obscure this state of affairs (Fabrizio et al. 2017; Hanlon 2017c).

The productivity and efficiency of the economic system and of the state-independent, national private sector are still

extremely weak (World Bank, Ease of Doing Business Index, World Economic Forum, various years), and an independent »middle class« practically does not exist (Kaufmann 2016; Kaufmann/Braun 2016; Castel Branco 2016). A genuine state interest in improving the business climate is hardly discernible and the state's official dialogue partner from the private sector, the Confederação das Associações Económicas (CTA), has largely been co-opted by the political elite. Although the Nyusi government is officially pursuing a strategy of import substitution and economic diversification, it lacks well-funded entrepreneurs with proper management capacity and experience. Instead, Chinese companies are stepping in, supported by generous financing, labour and competitive conditions from both the Chinese and the Mozambican governments. By contrast, any recognizable development demands on the part of the government (poverty reduction, investments in pro-poor activities) are receding. Although recent figures from the budget audit indicate a slight reduction in the proportion of the poor, the situation in rural areas remains extremely precarious. In absolute terms, there are more poor people in Mozambique than ever before (MEF 2016). No progress has been made since 2008 to combat chronic malnutrition and malnourishment in children (Voa Portugues 2017).

Inequality in the country is increasing (IMF 2016; MAP 2016; MEF 2016), particularly in the form of an urban–rural gap. While the rural population is increasingly marginalized and the »small working class« is losing purchasing power, the urban elite benefits from the economic stagnation (Wuyts 2016). The development of agriculture, in which the vast majority of the population works informally, has been severely neglected (Hanlon/Smart 2014). Even in agricultural areas with potential, such as the province of Nampula, the poverty rate has risen (MEF 2016). Large parts of the food supply continue to be imported, which contributes significantly to Mozambique's chronic trade deficit (MIC 2016). Analysts detect a kind of »expropriation of the state« in favour of private interests (Castel Branco 2016; Jones 2016). Not only does the nature of public investment point to this, but also the fact that the state has hardly generated any public revenue from FDI and instead serves private interests (Weimer/Carrilho 2017, p. 62; Vines et al. 2015). A well-defined economic-political vision and development trajectory is not really recognizable, as economic policy is focused on large-scale projects in a reactive but power-conscious man-

ner. The discourse on the priority of poverty reduction through production and productivity gains, employment gains and inclusion does not seem to be followed up by coherent and long term policies. Likewise, there is no sign of a poverty-eradicating, development-oriented foreign trade strategy. The Poverty Reduction Strategies (PARPAs) have come to an end without having had any real effect (Kaufmann/Borowczak 2016).

The social divide is increasingly evident. This can be seen, for instance, in the fact that public services and goods such as security, education and health care, but also electricity and water supply are increasingly being offered by private companies to the privileged and well-off, while the non-privileged are suffering from the plight of a public service sector that has been bled dry. The living standards of the poor have barely improved, with further deterioration of the basic food supply due to relatively steep price increases (above inflation) (Wuyts 2016). Real minimum wages fell in 2017 for the first time in ten years (Hanlon 2017). Hardest hit by this social divide are young people (16–30 years of age), who constitute the majority of the population. Without access to good basic education and vocational training and few prospects of minimally securing formal employment, but daily witnessing a consumer-oriented ruling elite conveyed through the media and social networks, their prospects of a brighter future are dim. The Mozambican author Alcinda Honwana coined the apt term »Youth in Waithood« for them. Frequently alienated from their own culture and not integrated into an economy that could provide income and social stability, they tend to be vulnerable to radical ideologies, markets of violence and criminal practices of all kinds (Weimer 2018).

A look at the political and economic realities in the country suggests the following provisional conclusion: although the economic and political institutions, as well as the changes in the overall political and economic structure would theoretically allow for a transformation towards a mature LAO or even an OAO, this is not likely to happen in the near future.

A large part of the institutional changes referred to above have been created under pressure and/or upon advice from donors and formulated with the help of foreign experts. They are therefore not, or only to a limited extent, endogenous (Booth 2015). Institutional theory describes the importance and efficiency of domestic institutions for the development of a country, and recognizes that the enforceability and effectiveness of institutions always consists of formal and informal elements (for example, Levitsky/Helmke 2004). Formal and informal elements are interdependent in the sense that informal institutions shape and complete, or even enable, formal ones (Shirley 2005). Recent intercultural institutional economics (Leipold 2006, p. 277) draws the following conclusions: »economic circumstances and their development are rooted in specifically evolved institutional structures, which in turn are ultimately determined by prevailing cultural conditions«. Materialistic or purely economic development explanations do not thereby become irrelevant, but they are to be seen as interdependent with these institutional structures that have evolved culturally. And this applies to

the actions of elites and, consequently, to the relationship between state and economy as well.

A change in mindset, on the part of both donors and recipients, is of immense importance in rethinking development narratives and adapting policies (Rickman 2015). To date this has happened only in a rudimentary way in Mozambique – for example in the ongoing peace process – and it is still not shared by all parts of the political and economic elite. For historical reasons, a mindset of exclusionary powers at the cost of others, dubbed »*governance as warfare*« by the anthropologist Bertelsen (Bertelsen 2016) still prevails. This can be only slowly be overcome. At best, there exists a dual, tactical institutional logic of dialogue and openness, on one hand, and militantly defended unity, on the other hand, which is used selectively. Ultimately, this pursues the goal of supporting and defending the LAO logic.

Taking into account the rent-seeking behaviour sketched above and the political settlement initiated with the strongest opposition party, as well as the divergence of formal institutions and informal realities, we come to the following interim conclusion. According to the classification of North et al., at present a Basic Limited Access Order prevails in Mozambique, with the risk of further regression. This regression is already visible in the World Governance Indicators and other analyses (Republic of Mozambique 2019), which have shown a largely negative development in recent years, particularly in the field of power-preserving corruption and in the insufficient, merely selective rule of law typical of LAOs (see Appendix). The Economist Intelligence Unit (EIU)'s democracy index shows a decline from a hybrid democratic to an authoritarian system⁷.

This means that state and government remain broadly speaking, stable and the administration functions minimally, albeit somewhat deficiently, while widespread violence remains largely contained. The dominant party and the government it supports, however, are making every effort to consolidate party unity, their power coalition and their influence. Genuine political competition and effective openness are not being sought in the economy and society. However, distributional conflicts with the hitherto »restrained« opposition sometimes flare up violently with a risk of protracted violent conflict in some areas.

The power elite are only partially prepared to tolerate, protect or even promote independent organizations outside its sphere of influence. On the contrary, for quite some time there have been serious indications of electoral manipulation and repression (Hanlon 2013; 2014). Independent civic engagement does exist to a limited extent (Fiege 2011) – for example, connected with the churches and with less independent national organizations, to a limited extent in the press and more recently also on the internet (Lobato 2016) –

⁷ <https://clubofmozambique.com/news/democracy-index-2019-palops-worst-three-including-mozambique-remain-in-the-lowest-category-150765/>

but these initiatives are more due to the fact that the ruling elite does not have adequate means of control than to a real change in mindset, and they do not offer a basis for a sustainable transformation. What does this mean for the scope of action in the field of international cooperation?

5

LESSONS FROM THE FINDINGS FOR INTERNATIONAL COOPERATION

International development cooperation is generally based on the assumption that, despite often sobering realities, there is a political will in the relevant country for democratic reform and development, which needs to be strengthened through dialogue and technical and financial cooperation. Most development projects are still geared towards promoting and challenging the transition from what is assumed to be a mature LAO to an OAO (North et al. 2013, p. 328). In fact, the assumption is that Mozambique is already on the threshold of an OAO, even though its internal forces are essentially geared towards preserving the status quo of the basic LAO. More than 30 years of intensive development cooperation and structural adjustment programmes obviously have not been able to bring the political-economic system onto a propitious and inclusive development path. This is evidenced not only by an analysis of governance, but also by the policy choices made and the development of social indicators and public services. The LAO regime, as shown in Sections 3 and 4, has been consolidated over time.

Effective international cooperation should be based on sober analyses of the country's political economy, and focus on a sector or a reform project, and on tailor-made support programmes, as Weimer and Carrilho (2017) have shown for decentralization. Only when the political-economic framework conditions of a basic LAO are really accepted as a starting point and less «wishful thinking» prevails, is international cooperation able to contribute meaningfully to development and the promotion of democracy.

The systemic crisis in Mozambique is reason enough to put development cooperation to the test. In view of the «hidden debt», macroeconomic imbalances, the suspension of budget support disbursements and the defiant attitude of government officials and party leaders, who claim that they can, if necessary, forego development cooperation aid, a «business as usual» scenario does not seem to be a real option. Analysis in accordance with LAO-OAO logic has shown that the much-debated partial crises – military, political and economic – are interdependent and fuel one another. The dominant elite have been involved in all three crises and shares responsibility. Although for a while it acted, in the sense of the LAO theory, as a stabilizing force, it has also and for this very reason stifled development and democratization. Now, however, from a LAO model perspective, the dominance and under-

development model seems to be exhausted. The substantial progress in the peace negotiations, with their concrete, albeit partial and fragile results, at least gives reason to hope that Mozambique and its current leadership under Nyusi may attempt to succeed in creating a new dynamic towards a mature, more inclusive LAO.

Much of what is claimed as development success due to institutional reforms has failed due to the wide divergence of informal and formal institutions. If these institutions are not sufficiently congruent (that is, if their divergence is promoted by the dominant elites), the implementation of reforms remains largely theoretical and the effectiveness of formal institutions insufficient or even counterproductive. Change towards an OAO requires corresponding social, mental and cultural processes, but these need time and political motivation. Above all, however, the LAO's power elite should be prepared to accept the formal institutional framework itself. At present, Mozambique is further away from this than it was during the post-Rome peace phase. The Guebuza regime that preceded Nyusi made little effort to promote or even at least tolerate these processes. The Nyusi government now shows that it can no longer put up with further escalation of corruption. It seems to have recognized that it needs to make a more serious effort, both in political discourse and in practice, especially with regard to petty corruption, abuse of office and diversion of public funds, even for its own political survival. Accordingly, the relevant figures show an increase in criminal charges, disciplinary measures and dismissals from the civil service, including the police. Even «bigger fish», such as several ambassadors, former finance minister Chang, and Guebuza's son, have to face charges, although members of the highest Frelimo circles and their ruling clans have been spared so far. An effective fight against corruption and an independent judiciary are an essential basis for opening up and developing towards an OAO regime. Development cooperation should be careful not to continue attempting merely to cure symptoms without asking the basic systemic questions. «A lot helps a lot», or working in a sector without appreciating the overall constellation, can do more harm than good. To be encouraged, rather, are people, institutions and measures that promote the evolution of the system instead of preserving it.

The use of instruments and the pursuit of processes that already encourage the transformation towards an OAO should

be avoided in an immature LAO system of the kind represented by Mozambique. This leads to disincentives, inefficiencies and stabilization of structures that can inhibit development. The (premature) support for deconcentration given by the World Bank and other donors in the 1990s and early 2000s might be mentioned here (see Borowczak/Weimer 2012).

Rather, it is necessary to work realistically at the level of the respective LAO, »working with the grain« in the sense of actions which are appropriate and contribute to the evolution of institutional maturity, social and political inclusion and thus to further development. This approach will also include the courage to say »no« and terminate cooperation, if necessary.

When dealing with the sub-optimal LAO equilibrium described above, which combines relative stability over a long period of time with poor developmental outcomes of the system, the objective cannot be to pursue a type of development cooperation that implicitly supports and funds the decades-old political-economic elite coalition. It should be noted that the discourse and true intentions of this elite are likely to diverge considerably, because in the long history of cooperation it has »learned« how to deal with donors and their conditions. As previously stated, formal and informal institutions often deviate from one another and this leads to various kinds of conflicts and costs. This is particularly the case where efficient formal institutions have not developed endogenously and systemically, which is typical for an LAO, also the case in Mozambique. One consequence of this is the strong propensity and scope for corruption. This should be borne in mind when designing development policies.

The LAO system in Mozambique (government and state, as well as the dominant party) has been given precedence to the preservation of power and the enrichment of elites through rents over development and poverty reduction. Wherever these two are in conflict, so far the winner have been the former, producing stagnation for the latter and preserving the LAO. This cannot be offset or stabilized by development cooperation given the dilemma that neither the market nor state institutions function efficiently (Castello Branco 2015b). It leads to a situation in which it is precisely those states that are in need of an industrial policy and active interventions for growth with and employment which are worst equipped for achieving this (Altenburg/Lütkenhorst 2015). To put it more succinctly, where government development cooperation can be practiced successfully it is not really necessary, and where it is most needed the preconditions are generally not given (Deaton 2015). Caution and intimate knowledge of the domestic circumstances are therefore essential to achieve the intended effects. One should seriously and realistically examine whether the necessary preconditions for policies to have an effect are in place, that is, whether a system is »ready« for certain steps towards its transformation.

What might alternative approaches and a desired change in development mindset look like, beyond the »business as

usual« scenario and the capitulation to populist criticisms of aid? The answer is neither simple nor obvious and would have to take into account factors such as the cost–benefit ratio, focus, prioritization, timing and sequencing (the question of suitable conditions for effective intervention). The following remarks should therefore be understood as suggestions for a necessary further debate.

Basically, there are three aspects or correctives that need to be discussed in the given problem situation and point in history:

- 1) Government development cooperation is subject to the described dilemmas in an LAO context because its main partner is the state. Cooperation should therefore take place at a less general level and rather focus on controllable »islands of efficiency« in the otherwise not exactly small »sea of inefficiency« of state administration. Cooperation should be redirected towards civil society and that part of the private sector not controlled by the state. The focus is on civil society organizations (that is, local development cooperation NGOs only in very specific and well-founded cases) that provide social services, are committed to the containment of violence and repression and/or represent legitimate interests of specific population groups (small entrepreneurs/craftsmen, associations, farmers' organizations, trade unions etc.). The condition is always that these organizations should not be controlled or co-opted by the regime. Within this sensitive context, cooperation with sub-organizations, possibly at odds with the regime, may be possible. Attention should also be paid to possible international networking (international business and cooperative associations, La Via Campesina, International Confederation of Free Trade Unions).
- 2) Policy choices should, in addition to the general reduction of poverty, focus on containing increasing inequality (for example, progressive tax reforms), knowing that both poverty and inequality are at least in part consequences of an LAO regime.⁸
- 3) One should increasingly promote areas that encourage the endogenous development or evolution of the system of an LAO. These include, first and foremost, agriculture and agricultural trade, but also better education, including political education, cultural and scientific cooperation and the opening of German/European systems/markets for products, students/trainees, cultural and scientific exchange and so on.

⁸ See, among others, Fabrizio (2017). According to the authors, the outlined IMF policy proposals do not always make it clear that the room for manoeuvre in an LAO regime can be severely limited.

6

REFLECTIONS ON METHODS AND INSTRUMENTS

- a) Development cooperation should, in our view, be significantly more distant from state and government. One should aim at a principled shift towards civil society and to private-sector actors outside the dominant LAO coalition, including »microeconomic islands of development« (Deaton 2015; IFO 2016; Kaufmann 2016a), not least in the agricultural sector. In an LAO this approach is not necessarily conflict-free, but under the given conditions it is better than »proceeding as usual« (Borowczak/Kaufmann 2014; Kaufmann/Simons 2016). But both the rule of law and political stability ultimately emerge »from the bottom up« (IFO 2016).
- b) Development cooperation should avoid being »used« contrary to stated objectives. Unspecific support and the use of »partner systems« is often highly risky and not to be recommended under the political and economic framework of an LAO. In the case of Mozambique, confidence has been shaken, and further investments and actions by the state may not necessarily have a genuine development orientation. The latter should be demanded by cooperation partners, however, and be clearly recognizable in the state budget. Donor dialogue should be able to achieve this; otherwise it will remain a paper exercise and should be given up.
- c) In working together with the state, what has been agreed upon at long last should be monitored and followed up critically and consistently, and consequences considered in case of a risk of »derailment« of a programme. Arguments favouring »non-interference in internal affairs« need to be re-examined. The argument that otherwise other actors, such as the Chinese, will take over is not convincing – on the contrary.
- d) Instead of nursing the illusion that one can change and develop the relevant country by external support, one should focus on creating favourable conditions for evolution. Among other things, donors should do at home what might be useful for the recipient country. This includes opening up markets, the possibility of training and exposure in Germany, an intelligent migration policy (Deaton 2015) and the promotion, support and protection of the German private sector and civil society actors willing to commit themselves to Mozambique.
- e) One should increasingly focus on activities that are long-term and directly benefit the population. Development policies often run the risk of having few concrete benefits for the population. Education in particular is relevant in enabling long-term development from within. This also includes the promotion and training of association representatives, youth organizations, trade unions and farmers' organizations, and of cultural initiatives and institutions not controlled by the state. In the medium and long term, only a knowledgeable and educated civil society or its representatives will contribute to changing an LAO system. In disaster situations one might add charitable activities.
- f) Every country is a specific, isolated case. The political and economic situation and the intentions of the actors are diverse and variable. Working with supposedly transferable modules, global best-practices and up-scaling approaches should be called into question, and be replaced by adequate political-economic analyses and adjustable development cooperation approaches, because in each case political-economic preconditions should be realistically and critically analysed, tested and monitored (IDS 2017).
- g) Ultimately, innovative and appropriate development cooperation should also be willing to learn and restrain itself. Revenue maximization, job creation and presence in international bodies should not be priorities. A more self-critical attitude can help to avoid making the same mistakes over and over again or to recognize them earlier. The tendency to paint a rosy picture of, or favourably evaluate, political persuasions and to sustain inadequate cooperation modes is not conducive to development. For a long time, it has been felt in Mozambique that development cooperation is everywhere, overburdening the absorption capacity of Mozambican institutions and producing a great many false incentives and allocations, with doubtful outcomes.
- h) From the LAO theoretical point of view, all approaches should aspire to move from a people-centred policy towards institution-oriented one, which include impersonal regulations and administration of justice. Even if this was initially limited to the country's elite, attention should be paid to the introduction of person-independ-

ent rules. The circle and radius of person-independent rules, laws and so on should be expanded and initially bring about a kind of equal treatment within the elite. The reform of the justice sector, including the promotion of law faculties, is of particular importance. Interestingly, there are few projects in this area and those that do exist have generally been unsuccessful so far.

- i) Although our analysis reflects scepticism about government action and willingness to introduce reforms, the decentralization reform finally launched by the Nyusi government, which focuses on more autonomous provincial government, may provide, under certain circumstances, an important entry point for development cooperation. This applies in particular to donors such as Germany and Switzerland, which have been promoting decentralization in Mozambique for more than two and a half decades. This reform can be seen as a potential game-changer, leading towards more efficient government action and a redefinition of inter-institutional relations, in accordance with the subsidiarity principle now enshrined in the constitution (Weimer 2018a). As with municipal-level decentralization in the 1990s, the ongoing decentralization at provincial and district levels may allow for the further emergence of local elites, which can be controlled, manipulated and instrumentalized by the dominant elite coalition under the control of the ruling party's politburo only with great difficulty. Here, at least potentially, space is being created for more voter accountability, more democracy from below and thus movement away from the suboptimal LAO situation.

APPENDIX: WORLD-GOVERNANCE-INDICATORS

We consider the World Governance Indicators published by the World Bank to be suitable variables to substantiate the statements in this document. In particular, low scores in the areas of corruption and the rule of law are typical of an LAO society.

World-Governance-Indicators for Mozambique in the years 1996–2018												
Indicator	Relative Position worldwide in %											
	2018	2017	2016	2015	2014	2013	2012	2010	2005	2000	1996	Trend
Voice and Accountability	32,5	33,5	34,0	37,9	40,9	39,3	42,7	45,5	50,5	45,2	38,9	Relatively stable
Political Stability	19,1	14,3	12,4	26,2	32,0	37,4	58,3	57,1	51,4	38,9	44,2	Negative
Government Effectiveness	17,8	18,3	18,8	23,1	24,0	31,1	29,7	34,4	37,1	39,5	52,7	Negative
Regulatory Quality	24	25	25,0	34,1	38,0	35,9	34,9	38,3	25,0	42,2	27,9	Stable/oscillating
Rule of Law	14,4	15,4	15,9	19,7	21,6	22,3	33,6	39,3	33,5	28,2	23,9	Negative after improvement
Control of Corruption	24	18,8	18,3	20,7	27,9	30,1	34,0	41,4	37,6	42,9	40,5	Negative

Note: 0% worst, 100% best development
Source: World Bank 2019.

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ABBREVIATIONS

AdM	Mozambique Airports – <i>Aeroportos de Moçambique</i>
APIE	Real Estate Agency of the State – <i>Agência da Propriedade Imobiliária do Estado</i>
BTI	Bertelsmann Transformations Index
CAR	Central African Republic – <i>Zentralafrikanische Republik</i>
CDF	Comprehensive Development Framework
CFM	Mozambique Railways – <i>Caminhos de Ferro de Mocambique</i>
CIP	Public Integrity Centre – <i>Centro de Integridade Pública</i>
CPI	Corruption Perception Index
CTA	Mozambique Business Association – <i>Confederação das Associações Económicas de Moçambique</i>
EdM	Mozambique Electricity Company – <i>Electricidade de Moçambique</i>
EITI	Extractive Industries Transparency Initiative
EIU	European Intelligence Unit
EZ	Development Cooperation – <i>Entwicklungszusammenarbeit</i>
FDI	Foreign Direct Investment
FRELIMO	Mozambique Liberation Front – <i>Frente da Libertação de Moçambique</i>
GCI	Global Competitiveness Index
GDP	Gross Domestic Product
HDI	Human Development Index
IDS	Institute of Development Studies
IWF	International Monetary Fund – <i>Internationaler Währungsfonds</i>
LAO	Limited Access Order
MDG	Millennium Development Goals
MDM	Mozambique Democratic Movement – <i>Movimento Democrático de Moçambique</i>
MEF	Ministry of Economy and Finance – <i>Ministério de Economia e Finanças</i>
MIC	Ministry of Industry and Trade – <i>Ministério da Indústria e Comércio</i>
NGO	Non-Governmental Organizations – <i>Nicht-Regierungsorganisationen</i>
OA	Open Access Order
ODA	Official Development Aid
PARPA	Absolute Poverty Reduction Action Plan – <i>Plano de Acção da Redução da Pobreza Absoluta</i>
PIMA	Public Investment Management Assessment
PPP	Public Private Partnerships
PRSP	Poverty Reduction Strategy Papers
RENAMO	Mozambican National Resistance – <i>Resistência Nacional Mocambicana</i>
SADC	Southern African Development Community
SDG	Sustainable Development Goals
UN	United Nations
WB	World Bank

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HOW DID THE WINE GET WATERED DOWN?

A Political-economic Review of Development and Democracy in Mozambique in Light of the Limited Access Order Model



Mozambique's success story from the 1992 peace process onwards has started to show cracks. But why is the former »donor darling« now regarded more critically and why have the hoped-for development successes been only partially achieved?



North et al. have developed a methodological framework for the classification of developing countries, on the basis of which they demonstrate that international cooperation is often built on false developmental hypotheses. The present contribution tries to substantiate this claim based on the example of Mozambique and to discuss initial ideas for a necessary re-orientation.



If cooperation is to achieve development and prosperity, along with internal and external security, while overcoming hunger and poverty, a realistic assessment has to be made of its political and economic status and its interdependencies. Political consensus also has to be reached on that assessment.

Further information on the topic can be found here:
<https://www.fes.de/afrika>