Controlled Expansion: The Politics of Economic Reconstruction in Mozambique and Angola

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Abstract

This thesis elucidates intriguing political economy dynamics in post-war settings where a cohesive elite coalition has acquired or asserted far-reaching control over state institutions, addressing a recurrent but underexplored conflict outcome.

Its core proposition is that such settings exhibit a distinctive and characteristic trajectory in terms of the evolution of relations of power and influence between political and economic actors and groups. This trajectory is rooted in a specific configuration of political incentives and constraints, and manifests itself in recurrent patterns across key domains of post-war economic governance. Best described as "controlled expansion," it fundamentally entails the creation of a market economy and the fostering of economic growth, but within a framework of strong and discretionary political oversight. This simultaneously enables the distribution of benefits to politically relevant constituencies and the establishment of a politically docile business class, both of which serve to further entrench the ruling coalition's hold on power. Ruling elites' efforts amount to a distinctive approach to economic reconstruction that corresponds to a set of internally coherent political economy assumptions, albeit very different ones than those informing the "liberal peacebuilding" model advanced by Western donors and international institutions since the end of the Cold War.

The thesis delineates the defining characteristics of elite-led economic reconstruction through an analysis of the trajectories of Mozambique after 1992 and Angola after 2002, covering the rehabilitation of physical infrastructure, financial sector reform, initiatives to reinvigorate productive sectors, and redistributive policies. It demonstrates substantial parallels between the two cases despite considerable variation in contextual conditions, indicating patterns of broader applicability across pertinent cases. The comparative argument rests on an in-depth account of both cases, drawing extensively upon the analysis of primary documentary evidence as well as on almost 100 elite interviews conducted during seven months of fieldwork.

Ora, não somos pobres, dominamos uma nação.

[Now, we aren't poor, we rule over a nation.]

Deathbed musings of a fictional President
in *Sua Excelência, de Corpo Presente*,
by Angolan novelist Pepetela (Lisbon: D. Quixote, 2018).

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Glossary

ABANC	Associação Angolana de Bancos
ACIS	Associação de Comércio, Indústria, e Serviços (Mozambique)
AfDB	African Development Bank
AEL	Associação Empresarial de Luanda
AGT	Administração Geral Tributária (Angola)
AIA	Associação Industrial de Angola
AML	Anti-money laundering
ANIP	Agência Nacional para o Investimento Privado (Angola)
APIEX	Agência para a Promoção de Investimento e de Exportações de Angola
ARDP	Agricultural Rehabilitation and Development Project (Mozambique)
ASBEA	Associação Brasileira dos Escritórios de Arquitetura
AT	Autoridade Tributária (Mozambique)
BAI	Banco Angolano de Investimentos, formerly Banco Africano de Investimentos
BCI	Banco do Comércio e Indústria (Angola)
BCI	Banco Comercial e de Investimentos (Mozambique)
BCM	Banco Comercial de Moçambique
BDA	Banco de Desenvolvimento de Angola
BESA	Banco Espírito Santo de Angola
BIM	Banco Internacional de Moçambique
BM	Banco de Moçambique
BNA	Banco Nacional de Angola
BNDES	Banco Nacional de Desenvolvimento Econômico e Social (Brazil)
BNU	Banco Nacional Ultramarino
BPC	Banco de Poupança e Crédito (Angola)
BPD	Banco Popular de Desenvolvimento (Mozambique)
BSTM	Banco Standard Totta de Moçambique
CAP	Caixa de Crédito Agro-Pecuária e Pescas (Angola)
CASA-CE	Convergência Ampla de Salvação de Angola – Coligação Eleitoral
CCADR	Caixa de Crédito Agrario e de Desenvolvimento Rural (Mozambique)
CIF	China International Fund
CIP	Centro de Integridade Pública (Mozambique)
CPI	Centre for Investment Promotion (Mozambique)
CPP	Cambodian People's Party
CTA	Confederation of Economic Associations of Mozambique
Cuca	Companhia União de Cervejas de Angola
ECMEPs	Empresas de Construção e Manutenção de Estradas e Pontes
EDM	Electricidade de Moçambique
EPLF	Eritrean People's Liberation Front
EPRDF	Ethiopian People's Revolutionary Democratic Front
FARE	Fundo de Apoio a Reabilitação da Economia (Mozambique)
FATF	OECD Financial Action Task Force
FESA	Fundação Eduardo dos Santos
FFH	Fundo de Fomento de Habitação (Mozambique)
FNLA	Frente Nacional de Libertação de Angola
Frelimo	Frente de Libertação de Moçambique
FSCB	Financial Sector Capacity Building Project (Mozambique)

GARE	Gabinete de Redimensionamento Empresarial (Angola)
GBS	General Budget Support
GPIE	Gabinete de Promoção do Investimento Estrangeiro (Mozambique)
GRN	Gabinete de Reconstrução Nacional (Angola)
GUE	Guichê Único de Empresas (Angola)
HCB	Hidroeléctrica Cahora Bassa
HIPC	Highly-indebted poor countries
IDIL	Instituto Nacional do Desenvolvimento da Indústria Local (Mozambique)
IFI	International Financial Institutions (i.e., International Monetary Fund and World Bank)
IIE	Instituto de Investimento Estrangeiro (Angola)
IMF	International Monetary Fund
INAPEM	Instituto Nacional de Apoio às Micro, Pequenas e Médias Empresas (Angola)
ISEP	Instituto do Sector Empresarial Público (Angola)
LRCI	Local Road Construction Industry initiative (Mozambique)
LTTE	Liberation Tigers of Tamil Eelam
MPLA	Movimento Popular de Libertação de Angola
ODA	Official development assistance
PARPA	Plano de Acção para a Redução da Pobreza Absoluta (Mozambique)
PERT	Projeto Executivo para a Reforma Tributária (Angola)
PRE	Programa de Reestruturação Económica (Mozambique)
PROAGRI	Programa Nacional de Desenvolvimento Agrícola (Mozambique)
Renamo	Resistência Nacional Moçambicana
ROCS	Roads and Coastal Shipping project (Mozambique)
RPF	Rwandan Patriotic Front
SADCC	South African Development Coordination Conference
SBB	Southern Bank Berhad (Malaysia)
SEF	Programa de Saneamento Económico e Financeiro (Angola)
SIIND	Sonangol Industrial Investments
SMEELP	Small & Medium-Sized Enterprises Empowerment Linkages Program (Mozambique)
Sonangol	Sociedade Nacional de Combustíveis (Angola)
TRAC	Trans-African Concessions
UNITA	União Nacional para a Independência Total de Angola
UTRE	Unidade Técnica de Reestruturação Empresarial (Mozambique)
VAT	Value-added tax
ZEE	Zona Económica Especial Luanda-Bengo

Introduction

Few themes have occupied scholars and practitioners of global politics throughout the last decades as enduringly as the problems of "state failure" and fragile statehood. In addition to myriad inquiries into the origins and implications of this phenomenon, there is now a substantial literature that specifically engages with peacebuilding and state reconstruction efforts as remedies to the development and security challenges commonly attributed to dysfunctional or collapsed state institutions.[1]

While some of the different strands of work in this field disagree in almost every conceivable regard, they tend to share an important feature: An overwhelming focus on internationally-led efforts of fostering democratic polities and market-based economies – in short, a model of liberal statebuilding.[2] This observation applies with particular emphasis to the economic dimension of reconstruction: Different authors may vociferously disagree on whether the involvement of the International Monetary Fund, World Bank, and Western donors provides an opening for the construction of a viable and equitable post-war economic order or rather guarantees the imposition of a pernicious "neoliberal" orthodoxy, but the centrality of their agendas in shaping economic recovery in war-torn countries is rarely genuinely questioned.[3]

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[1] All strands of literature invoked in this introduction are reviewed and discussed in detail in the following chapter. Excellent entry points into the literature on internationally-assisted reconstruction are provided by Caplan 2006; Paris and Sisk 2009; Mayall and Soares de Oliveira 2011; Chesterman 2005. For an example of the prevailing line of critique of liberal peacebuilding, see MacGinty and Richmond 2013.
[2] As Roland Paris has observed, "much of the critical literature is actually espousing variations within, rather than alternatives to, liberal peacebuilding." Paris 2010, 339.
[3] Symptomatically, the editors of a major volume on the political economy of statebuilding note that "an underlying concern throughout is with the *impact of outside intervention* on the complex relationship, in terms of power and influence, between *formal* and *informal* political and economic actors, groups and networks" - Berdal and Zaum 2013, 1; emphasis on "impact of outside intervention" added.

Besides the policy-oriented character of significant strands of scholarship in the field (which are thus often geared towards the concerns of Western practitioners), this widespread focus on external actors and agendas is a corollary to the continuing prevalence of an understanding of violent conflict as first and foremost a destructive force, which obliterates physical infrastructure and destroys the social fabric of societies. Through this prism, domestic actors are not only seen as materially dependent on external support and therefore unable to resist donor conditionality, but also as too fragmented and disorganised to articulate and pursue any coherent political project at the national level (beyond their own survival and perhaps a degree of self-enrichment) in the first place. Although the influence of local actors in shaping reconstruction efforts is increasingly acknowledged, it is analysed almost invariably in terms of their ability to reactively hinder or subvert the implementation of external agendas and initiatives, with an emphasis on the "hybrid" outcomes that this interplay produces at the ground level.[4]

If the unity of purpose among domestic actors in many post-conflict environments can indeed reasonably be questioned, though, this perspective pays insufficient attention to important variation in conflict outcomes across cases. This variation is rendered obvious by a closer look at the configuration of ruling elite coalitions in different post-war settings. In this context, the term "elites" refers in a general sense to a "distinct group within a society which enjoys privileged status and exercises decisive control over the organization of society."[5] Claims to elite status may rest on a variety of bases,[6] but for the purposes of this study they are understood to ultimately require the capacity to mobilise consequential resistance against political decisions that the actor in question deems undesirable. The

[4] E.g., MacGinty 2011; Richmond 2011b; Höglund and Orjuela 2012.
[5] DiCaprio 2012; Robinson 2012.
[6] Weber 1988.

"ruling elite coalition," in turn, denotes the subset of elites who control the formal institutions of the sovereign state.[7]

While there are undoubtedly examples of post-conflict ruling elite coalitions comprising a diverse group of participants held together by little more than a most precarious bargain and exhibiting little implementation capacity, there are also notable instances of post-war recovery led by cohesive domestic leadership coalitions that emerged from conflict in a dominant position. The top echelons of organisations like the Ethiopian People's Revolutionary Democratic Front (EPRDF), the Frente de Libertação de Moçambique (Frelimo), the Rwandan Patriotic Front (RPF), the Movimento Popular de Libertação de Angola (MPLA), or the Cambodian People's Party (CPP) all exhibited considerable degrees of institutionalisation in their management of internal competition from the outset of the reconstruction process.[8] Moreover, they also exerted comprehensive control over the state apparatus, either having accomplished outright military victory or having prevailed decisively in a post-war election.

There is a substantial *prima facie* case that reconstruction processes featuring this kind of domestic elite leadership exhibit resemblances in their post-war trajectories. At a most basic level, in all of the settings listed above, the elite coalition that acquired a dominant position at the end of conflict has managed to sustain its hold on power at the time of writing, typically amid a significant reduction of violence and accompanied by considerable economic growth. Initial attempts at identifying recurrent patterns under the

[7] For authoritarian contexts, this corresponds closely to the colloquial usage of the term "regime", although in political science the latter is typically used to denote a broader "set of formal and informal rules and procedures for selecting national leaders and policies", see Geddes 1999.
[8] The concepts of ruling elite cohesion and dominance are discussed more fully in Chapter One. The study draws on Mushtaq Khan's political settlements framework in its understanding of these concepts, but with regard to cohesion places particular emphasis on the mediation of internal competition through institutionalised party organisations – see Geddes 1999; Smith 2005; Brownlee 2007; Magaloni 2008; Svolik 2012.

rubric of “illiberal statebuilding” notwithstanding,[9] the specific dynamics and characteristics of these important experiences, however, remain poorly understood. A particularly critical aspect in this regard concerns the interplay between the political and the economic realm, mirroring the emphasis on the posited complementarity of democratization and the widening of economic freedoms in the liberal peacebuilding model. Against this backdrop, this study is fundamentally guided by the following research question: To what extent do post-conflict settings in which a cohesive ruling elite coalition has acquired or asserted control over the state exhibit a distinctive economic reconstruction trajectory, specifically with regard to dynamics in the relations of power and influence between political and economic actors and groups?

The formulation of this research question reflects a recognition that political economy concerns – understood in terms of the relations of power and influence between various formal and informal political and economic actors and groups, following Mats Berdal’s and Dominik Zaum’s conceptualisation[10] – economic policy choices, and economic outcomes stand in a complex interplay rather than a unidirectional causal relationship with each other. As such, configurations of power and influence are typically a major factor shaping economic policy choices, which affect economic outcomes in turn. At the same time, however, policy choices and economic outcomes also have a reverse impact upon these configurations, for instance by increasing electoral support among a certain social group or by allowing economically successful actors to leverage their resources in support of political activities. Further complicating the picture (and indeed critical to the argument advanced in this study), actors will often anticipate these latter

[9] Jones, Verhoeven, and Soares de Oliveira 2013; Soares de Oliveira 2011; Piccolino 2015; Piccolino 2018; Goodhand 2010; Smith 2014; Fisher and Anderson 2015.
[10] Berdal and Zaum 2013, 1.

effects and take them into account in their own decision-making, even though their expectations may not always prove accurate.

The objective of this study is to capture these complex dynamics holistically with particular emphasis on their political economy dimension, rather than to focus on an artificially isolated, linear causal relationship.[11]

The argument in brief

The central argument of this study is based on a "dialogue between theory and evidence,"[12] which draws upon insights from the literature on the political economy of regime survival and the politics of economic development, as well as on a detailed empirical analysis of two relevant cases, Mozambique after 1992 and Angola after 2002.

From a theoretical vantage point, the study specifically takes inspiration, on the one hand, from contributions highlighting the frequent tension between market-based capitalist development and political stability from a ruling elite perspective, and, on the other hand, from analyses of the economic impact of different configurations of ruling elite coalitions and elite-society relations. The starting point of its argument is that cohesive ruling coalitions in post-conflict settings consistently tend to face a particular set of political incentives and constraints. Fundamentally, the presence of institutionalised mechanisms for the management of internal competition and the absence of immediate challenges to their rule lead the members of such coalitions to adopt an extended time horizon. Contrary to other settings, the dominant incentive for these ruling elites is not to maximise self-enrichment in the short term before renewed violence or electoral defeat bring other actors

[11] This is an important difference between the analysis presented here and many contributions on the political economy of development, which tend to focus strongly on the impact of political economy factors on development outcomes, while placing less emphasis on described feed-back loop. For illustrations of this point, consider for instance Whitfield et al. 2015; Kohli 2004.
[12] Rueschemeyer 2003, 312.

to power, or to focus solely on the precarious co-optation of opportunistic rivals.[13] Rather, they are confronted with an opportunity to advance the consolidation of their hold on power for the longer term, including through the cultivation of a reliable and sufficiently broad base of public support.

This does not align ruling elites' priorities with liberal precepts: The risk of genuine market reform enabling the emergence of potential challengers with independent resource bases remain too great, and the political rewards of allocating significant resources to alleviating the plight of the poorest segments of the public (as prescribed especially by more recent iterations of the liberal agenda) too limited, to motivate the pursuit of these policies.[14] It does, however, imply a fundamental interest in economic expansion in order to increase the amount of resources available for distribution to relevant groups, as long as the risk of an uncontrolled diffusion of economic power can be contained.

Even though the post-conflict settings examined here are emphatically not "blank slates," the pursuit of such an agenda is also decisively facilitated by the heightened degree of institutional malleability that they present, granting the actors who gain control of the levers of political power in the immediate aftermath of hostilities an unusual level of discretionary agency. Relatedly, these settings typically do not feature a strong established business class, largely obliterating any need to engage in the kind of complex negotiation between political and economic elites that is often central to political economy analyses of other settings.[15]

Due to this specific configuration of political incentives and constraints, the thesis contends, the presence of a cohesive ruling elite coalition is indeed systematically

[13] See also Kelsall 2013.
[14] On the political risks arising from market-based development, see for example Chaudhry 1993; Boone 1992. On the limited political pay-off of pro-poor spending, see for example Bueno de Mesquita et al. 2003; Bates 2005.
[15] E.g. Maxfield and Schneider 1997.

associated with a distinctive economic reconstruction trajectory, which comprises recurrent policy choices across key reconstruction domains and corresponds to an internally coherent set of political economy assumptions. Best described as "controlled expansion," this trajectory is driven by ruling elites' efforts to improve material conditions for relevant constituencies through the promotion of economic growth and the deliberate allocation of its benefits, while simultaneously maintaining strong political control over access to economic opportunities.

The thesis demonstrates how this trajectory has manifested itself in Mozambique and Angola in recurrent patterns across key domains of the post-conflict economy, ranging from infrastructure rehabilitation and financial sector reform to the promotion of productive sectors and the design and implementation of state-led redistribution.

With regard to infrastructure, despite unquestionable differences in the volume of resources at the disposal of ruling elites, the prioritisation of investment in both countries has been geared towards the promotion of economic activity in specific, politically important geographical areas. Moreover, it was biased in favour of supporting a relatively small number of sectors or even specific projects, rather than a broad-based improvement of enabling conditions for business. Simultaneously, the physical reconstruction effort itself was also in both cases leveraged as a major conduit for the distribution of privileged economic opportunities.

In the financial sector, ruling elites reconfigured patterns of ownership and management in banking and engaged in selective regulatory reform, fostering considerable sector expansion without imperilling their discretionary control over access to capital. Although upgraded banking sectors have undoubtedly enabled instances of outright capital flight, important results of this development also comprised an enhanced provision of financial services to middle class constituencies and a mobilisation of capital in support of the entrepreneurial ventures of favoured capitalists, but not greater access to credit for unconnected entrepreneurs.

As a result of this configuration of enabling conditions for business activity, along with regulatory frameworks and investment promotion initiatives that ensured close political oversight, the productive sectors of both countries economies' have exhibited a pattern of sometimes rapid but also very concentrated development. Expansion has been driven by a small number of sub-sectors and even individual large-scale projects, featuring a dominant role of the state, foreign investors, as well as a small group of politically connected oligarchs.

Finally, taxation and public spending have been used to spread the benefits of economic recovery beyond the small circle of immediate beneficiaries of these developments, but only within circumscribed boundaries. Policies in these areas have ensured the maintenance of privileged conditions and the delivery of further improvements for constituencies that are seen as politically relevant due to their historical association with the ruling party or their disruptive potential, but not a broad-based distribution of public goods or a substantial improvement of conditions for the poorest segments of the population.

In sum, although fundamentally market-based, ruling elites' approach has comprised significant direct state involvement in key sectors, as well as the maintenance of critical levers of discretionary control over the economy. Rather than creating conditions for the emergence of autonomous entrepreneurs, emphasis has been placed on the careful management of relations with large-scale foreign investors, as well as on the deliberate promotion of a select group of political insiders as domestic capitalists. The latter aspect has extended beyond the pursuit of short-term patronage politics and amounted to an attempt to structurally entrench the economic dominance of the ruling party, complementing the cultivation of key support bases at the wider societal level.

In the cases under scrutiny in this study, this approach to economic reconstruction has undoubtedly created strong material incentives for continuing allegiance to the ruling party (both at the elite level and in terms of broader constituencies) and largely thwarted the rise of political challengers with serious resources at their disposal. At the same time, though, the endeavour to centrally orchestrate complex societal processes is inherently fraught with tensions. As such, both Mozambique and Angola have also seen the emergence of significant fault lines in their political economies, which may eventually end up derailing their ruling parties' drive towards lasting hegemony.

As a matter of scholarly prudence, the study is therefore careful in its ultimate assessment of the "success" of the observed approach in terms of consolidating the ruling coalitions' hold on power – despite the widespread use of the concept, to actually operationalise and measure regime consolidation is notoriously difficult, as periodically illustrated by the unexpected demise of regimes that conventional wisdom (and frequently also specialised experts) had previously considered highly stable. Studies focusing on regime longevity or durability have generated important insights into factors empirically associated with regime stability,[16] but they have not yielded any widely-accepted metric that would allow us to reliably determine the degree of consolidation of regimes that are currently still in power.[17] That said, the observation that neither of the two ruling elite coalitions considered in detail here, nor any of the other coalitions listed above, has had to relinquish its hold on power to date is instructive in its own right. Despite substantial

[16] Prominent factors identified in this regard include the presence of institutionalized parties and, perhaps more counter-intuitively, legislatures. On the former, see Levitsky and Way 2012; Smith 2005; Brownlee 2007. On the latter, see Gandhi and Przeworski 2007.
[17] Other than in terms of their durability to date – however, while longevity may in itself have a causal effect on institutional consolidation (see Bell 2011), the notion that regimes becomes linearly more stable with the passage of time is clearly belied by experience.

challenges encountered in recent years, for the time being Frelimo and the MPLA have both consistently defied any predictions of imminent upheaval.[18]

These considerations of success from a ruling elite perspective notwithstanding, one point that is importantly *not* implied in the argument advanced here is a characterisation of these reconstruction projects as particularly "developmental." While they are geared towards a form of durable political stabilisation and the pursuit of economic expansion as a means towards this end, the choices that they comprise are by no means optimal even from a purely growth-oriented vantage point, and the distributional outcomes that they produce tend to be severely at odds with the priorities suggested by a more encompassing "human development" perspective.[19] As discussed in this study's conclusion, there is a normative case in support of elite-led economic reconstruction, drawing on a non-linear conception of development in which a period of politicised accumulation and limited distribution may ultimately prepare the ground for a more competitive and inclusive form of capitalism.[20] But this is certainly not an inevitable outcome, and whether it will indeed occur in the cases examined here is not a question that this study can answer.

In highlighting recurrent and distinctive political economy dynamics in post-conflict settings featuring cohesive ruling elite coalitions, the purpose of this thesis is not to postulate the existence of a discrete "class" of reconstruction experiences that is sharply and categorically separate from other instances of post-conflict recovery. Clearly, the cohesion of ruling elite coalitions and their extent of control over state institutions are matters of degree rather than type, and different environments also present myriad

[18] Especially Frelimo did find itself under considerable pressure when this thesis was finalised, following a string of revelations about hidden loans and large-scale corruption. For the time being, the crisis has, however, above all demonstrated the party's proclivity to unite against external attack. See Chapter Six for a more detailed discussion, and Cotterill, Joseph, "Mozambique's ruling party closes ranks over 'tuna bond' scandal", Financial Times, 14 January 2019, for an overview.
[19] ul Haq 1995.
[20] In this regard, the study echoes Cramer 2006.

exogenous constraints that impact upon the ability of a given coalition to pursue the described approach in practice. As such, the trajectory detailed in this study is best understood as an ideal type that different cases approximate to various degrees, while frequently also exhibiting certain elements of the liberal model and of other conceivable scenarios (such as a more short-term oriented elite resource grab). The adoption of an analytical approach that stresses political agency also militates against an overly mechanistic conception of the dynamics at play – even in a post-conflict setting featuring highly cohesive and dominant ruling elites, the latter may decide for idiosyncratic reasons to pursue a different course of action.[21]

Conversely, important elements of the dynamics explored in this study may also be found in certain environments that do not squarely fall within the scope of its argument. From a theoretical perspective, this should be likely in settings in which the conditions marking the cases under scrutiny here are partially fulfilled: In cases where a country has emerged from conflict with a more fragmented and less secure ruling coalition, individual actors may also enjoy considerable discretionary control over economic policy and use this towards political ends. However, elites should be less likely to pursue a centrally orchestrated approach geared towards the longer-term cultivation of political support and more likely to focus on the short-term appropriation of wealth (moreover, they will typically also be less capable of asserting their priorities vis-à-vis external actors). Cohesive ruling elites governing a country without recent conflict history, in turn, may seek to maintain and solidify their political bases through economic strategies in a fashion reminiscent of the cases explored here, but will typically have to do so in a less malleable environment marked by greater institutional inertia and a stronger presence of established

[21] As discussed in Chapter 6, the case of Eritrea, with its strong reliance on coercive repression, comes to mind.

business interests. Historically, some immediate post-independence situations also exhibited significant similarities to the cases examined here with regard to the prevailing configuration of political incentives and constraints and may fruitfully be analysed through a similar lens, but this is a line of inquiry that cannot be pursued in any depth within this study.

More generally, the observation that the economy is "politicised" in itself of course does not set the cases explored here apart from many other countries – certain aspects of the dynamics explored here may be observed in a vast range of settings, from classical instances of neo-patrimonialism in some of the world's poorest countries[22] to examples of advanced "state capitalism" in countries such as China, Russia, or Brazil.[23] A full exploration of the similarities and differences between cases falling into these different groups constitutes an intriguing agenda for further comparative empirical research. But the working hypothesis for such an endeavour should be that genuinely close correspondence to the ideal type identified in this study, with its characteristic combination of a centrally orchestrated promotion of a politically docile business class and a deliberate channelling of the benefits of growth to select constituencies, is rarely encountered elsewhere to the same degree as in post-conflict environments in which a cohesive ruling coalition exerts far-reaching control over the state.

Fundamentally, then, the contribution of this study to the wider scholarship is to explicate the internal logic of elite-led economic reconstruction, to detail the strategies that it comprises in key policy domains, and to elucidate the significance of this process in the broader context of post-conflict regime consolidation. It thereby deepens our understanding of the phenomenon of contemporary "illiberal statebuilding" as a substantial alternative to

[22] Jackson and Rosberg 1982, 429; Lewis 1998.
[23] Bremmer 2010; Musacchio and Lazzarini 2014; Pei 2016.

externally-driven liberal reform that tends to prevail in an identifiable family of cases. These insights, in turn, also provide a firmer basis for adjudicating the complex normative considerations arising in any debate about the role of international actors in post-conflict reconstruction, be it with regard to the question whether to intervene or to provide assistance in a given setting in the first place, or with regard to appropriate modes of engagement with empowered local elites.

Research design, case selection, and empirical scope

Given the dearth of scholarship on the political economy of reconstruction processes led by cohesive ruling elite coalitions, this study is fundamentally an exercise in theory-building on the basis of rigorous empirical analysis. As explained above, this process was aided by the incorporation of insights from several established strands of political economy research. However, no propositions or hypotheses were derived from an existing body of theory in a strictly deductive sense, in order to then be "tested" with a view to validating these broader theoretical frameworks as such. Rather, these perspectives served as an inspiration and as a starting point for the development of the study's eventual argument, which was shaped by inductive empirical findings regarding the shared characteristics of relevant reconstruction experiences to at least a similar degree.

In light of the significant contextual understanding required for a comparative political economy analysis that goes beyond the juxtaposition of readily observable policy choices and generates genuine insight into the "structural relations between accumulation and domination" prevailing in a given setting,[24] the study opts for depth rather than breadth in its empirical coverage. It largely concentrates on the detailed qualitative analysis of two cases, Mozambique after the Rome Accords of 1992 and Angola after the Luena agreement

[24] This is the definition of political economy proposed by Munro 1996, 122.

of 2002. As detailed further in the next section, both are unambiguous cases of post-conflict reconstruction featuring cohesive ruling coalitions in control of the state, thus fulfilling the basic criteria of constituting two cases that are comparable and relevant to the argument advanced in this study.[25] Moreover, the specific merit of including these two cases in the analysis, especially in comparison to a single case study design, is that they provide considerable variation with regard to a range of important contextual conditions. This enhances the putative generalizability of observed commonalities to other pertinent cases, while also permitting an appreciation of the range of strategies that ruling elites may deploy under different circumstances.[26]

A first important contextual difference between the two cases arises from the respective circumstances of conflict termination. As discussed in greater detail below, in Angola, war effectively ended through outright military victory of the MPLA. Mozambique's Frelimo, in contrast, acquired its dominant post-war position in large part thanks to the adoption of an executive-dominated political system in the context of an internationally-brokered peace agreement, which it had to negotiate with its opponent Renamo on an initially more equal footing. While it may have been desirable to also include a third case featuring cohesive ruling elites that acquired a dominant position through military victory after fighting *against* an incumbent government (such as Rwanda's RPF or Ethiopia's EPRDF), this variation addresses potential concerns that different circumstances of conflict termination may systematically result in different political

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[25] In the terminology of Ragin and Becker 1992, the two cases are "instances of a similar class of events." Fundamentally, this study follows a "effects-of-causes" logic (see Mahoney and Goertz 2006), as the specific characteristics of the respective reconstruction trajectory and the degree of resemblance between the two cases in this regard were very much the subject of the inquiry itself, rather than features that could be established *a priori*.

[26] See Gerring 2006 on the logic of "diverse case selection" designs. In order to strengthen the claim regarding the distinctiveness of cases featuring cohesive ruling coalitions, it may have been instructive to also undertake a direct comparison with a contrasting case featuring a fragmented coalition, which was however not possible here due to scoping constraints.

economy dynamics, for instance because there may be a greater need to accommodate opposition demands if the former adversary is not recovering from military defeat.

Second, there is a clear contrast between the two cases with regard to their respective economic structure at the beginning of the reconstruction process. On account of violent conflict, both countries had witnessed severe economic challenges and specifically a decline of manufacturing, which had also been exacerbated by problematic policy choices in the context of Frelimo's and the MPLA's socialist projects following independence.[27] However, a crucial difference was that war had not hindered the growth of Angola's oil production, which had started already during the 1950s and to which there was no equivalent in Mozambique.[28] Indeed, a wave of important investments had taken place during the late 1990s, which rapidly turned Angola into one of sub-Saharan Africa's largest oil producers after 2002.

At the beginning of the reconstruction process in 2002, oil and gas accounted for 44 percent of Angola's GDP, whereas agriculture and industry contributed merely about 4 percent respectively.[29] Mozambique's economy as of 1992, in contrast, was dominated by agricultural activities (accounting for approximately a third of GDP), with manufacturing contributing 16 percent and various kinds of services the remainder.[30] These different economic structures also implied a considerable gap in GDP per capita, which was almost

[27] Ferreira 2002a; Abrahamsson and Nilsson 1995; Alden 2001. At least in the Mozambican case, some contemporary observers were more optimistic regarding the viability of Frelimo's policies, had their implementation not been disrupted by South African destabilisation. However, what seems uncontroversial is that the centralised management of an economy, a tall order even under the best circumstances, was extraordinarily ambitious given the available human resources and institutional capacities in both countries.
[28] Soares de Oliveira 2007; Frynas and Wood 2001; Le Billon 2001.
[29] CEIC 2016, 84.
[30] Figures based on national accounts data from the national institute of statistics (INE), available at http://www.ine.gov.mz/estatisticas/estatisticas-economicas/contas-nacionais/anuais1/pib_optica_producao.xlsx/view, accessed 5 March 2018.

ten times higher in Angola as of 2002 than in Mozambique in 1992 if measured in constant purchasing power parity terms.[31]

Intuitively, one may hence expect that Mozambican leaders should have faced greater pressures to enable and promote productive economic activity to generate the resources needed to build and sustain political support. As the empirical analysis presented in this study shows, this expectation is partially borne out by the evidence, but the strategies employed towards this end in key regards nevertheless strongly resembled those observed in the Angolan context.

Third, an important consequence of the described differences in economic conditions was also that Mozambique's leaders had to rely on donor assistance to a vastly greater extent than their Angolan counterparts. As such, Mozambique had already become one of the most aid-dependent countries in the world during the 1980s and never saw levels of official development assistance (ODA) drop anywhere significantly below 20 percent of gross national income until the late 2000s, with even much higher ratios during the early years of recovery. In part, this also reflected the fact that the country emerged from conflict in an immediate post-Cold War context in which the global pre-eminence of the United States was virtually unquestioned, in which the only external partners with serious financial resources available to post-conflict countries in the developing world were "traditional", Western donors, and in which belief in the transformative potential and the justifiability of international intervention and conditionality was at its apex. Indeed, the extent of donor involvement in virtually all areas of policy-making in Mozambique after 1992 was so salient that prominent observers argued that the country had effectively lost its sovereignty.[32]

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[31] World Bank International Comparison Data Base, available at https://data.worldbank.org/indicator/NY.GDP. PCAP.PP.KD?locations=MZ-AO, accessed 5 July 2018.
[32] Plank 1993; Hanlon 1991.

This could hardly stand in starker contrast to the Angolan experience: Initial attempts to leverage international funding for the reconstruction effort were hindered by disagreements over the lack of transparency in petroleum revenue management, and the expansion of oil revenues combined with the availability of new financing mechanisms through an engagement with emerging powers like China and Brazil subsequently ensured that traditional donor support never acquired genuine relevance in the process. Although some economic cooperation efforts involving traditional donor countries and international organisations have still taken place, few observers would seriously contend that such actors exercised any material leverage over Angolan decision-makers.

As even a casual visitor would find it hard to overlook the difference between the two countries in terms of the sheer visibility of aid-funded projects and of the procedural involvement of donors in policy processes, the two cases thus cover a wide spectrum in terms of the degree to which ruling elites had to deal with external agendas and conditionality in devising and implementing their approaches to economic reconstruction. Against this backdrop, and especially in light of widespread assumptions regarding the prevalence of donor agendas in post-conflict settings, the important shared characteristics identified in this study are particularly noteworthy.

Taken together, a comparative analysis of Mozambique and Angola permits an exploration of the characteristics of economic reconstruction processes led by cohesive ruling elite coalitions amid variation on a range of important contextual dimensions. This design endows shared patterns observed in both cases with a significantly greater claim to generalizability than could be accomplished through the analysis of a single case, while ensuring an degree of empirical richness and contextual understanding that would be precluded in a comparison of a larger number of cases.

Besides the lack of a case of rebel victory, one potentially important source of variation admittedly not addressed by the two cases is institutional and ideological heritage. In this regard, Mozambique and Angola exhibit important historical parallels, notably in the form of institutional legacies from an extended period of Portuguese colonialism, which left its imprint on both countries' legal systems in particular. In addition to both belonging to a broader family of African (and specifically Southern African) liberation movements,[33] Frelimo and the MPLA also both attempted to restructure the economy along socialist lines following independence. This implied a distinctive legacy regarding the role of the state of the economy, as well as the presence of a significant stock of state-owned economic assets at the beginning of post-war reconstruction that subsequently played an important role in the process.

Possible concerns about limitations to generalisability arising from these historical parallels are, however, addressed in the study's penultimate chapter, which synthesises the findings of the comparative analysis and provides an initial assessment of their applicability to other cases of reconstruction featuring cohesive ruling elite leadership, including those with otherwise very different historical legacies. As the chapter shows, there are some indications of the existence of different sub-types within the ideal type of elite-led reconstruction explored in this study. Notable in this regard is evidence of a stronger reliance on formally institutionalized developmental interventions and an aversion to the pecuniary management of elite competition in Rwanda and Ethiopia, two cases in which cohesive ruling elite coalitions arose out of a successful rebellion. Yet, the fundamental thrust towards a form of politically controlled economic expansion is present in these cases as well, confirming the existence of meaningful overarching shared characteristics and the heuristic value of the perspective developed here across seemingly quite different contexts.

[33] Dorman 2006; Southall 2013; Prunier 2009; Melber 2002.

With a view to maximising variation in contextual conditions between the two cases, the analysis focuses on the temporal period in which the contrast between Mozambique and Angola in terms of economic structure and aid dependence is most pronounced: In Mozambique, it concentrates on approximately the first fifteen years of reconstruction between the Rome accords of 1992 and the beginning of major investments into natural resource exploitation (especially coal and natural gas), which occurred in the late 2000s. Although major actual revenue impacts had still not materialised at the time of writing, others have shown convincingly how the mere expectation of a resource boom affected Mozambique's political economy in the subsequent years, in some regards suggesting a convergence with Angola as it would be expected on the basis of the literature on "rentier states" and the "resource curse."[34] To the extent that some of these developments have in themselves proven revealing with regard to deeper structures and proclivities established during the early reconstruction years, they are of course taken into account in the analysis, but the more recent evolution of Mozambique's political economy is generally not at the core of this study.

In Angola, the focus is mainly placed on the period between 2002 and 2014, i.e. the years ranging from the end of war to the precipitous and lasting decline of global oil prices, which led to a deep economic crisis and put important MPLA projects and policies in jeopardy.[35] While this development has called into question the sustainability of the political and economic order built in the preceding years and should certainly inform any assessment of its future prospects, it presents less of a contrast with the Mozambican situation in terms of elites' autonomy from external pressures and conditionalities, and is therefore less pertinent from the perspective of this study. Incidentally, these "natural

[34] Macuane, Buur, and Monjane 2017. See also Frynas, Wood, and Hinks 2017 on this phenomenon more generally.
[35] Soares de Oliveira 2015a.

breaks" also truncate both cases at a roughly similar number of years, which is certainly welcome for the purposes of a balanced comparison.

Thematically, the inquiry opts for a broad coverage of dimensions of post-war economic recovery that are substantially important and promise particular insight from a political economy perspective, comprising the rehabilitation of physical infrastructure, financial sector reform, initiatives to invigorate productive sectors of the economy, as well as the distributional politics around matters of taxation and public service delivery.

The rehabilitation of physical infrastructure has a dual relevance in any reconstruction setting, giving rise to two somewhat distinct political economy concerns. First, infrastructure is a key enabler of any kind of economic activity, and the prioritisation and geographical distribution of measures hence provides an insight into the conditions facing potential entrepreneurs from different social groups and different parts of each country. Second, public investment into infrastructure rehabilitation and expansion is in itself a major stimulus to economic activity, generating opportunities at a scale rarely encountered elsewhere in a post-conflict economy. The management of access to these opportunities therefore provides an important indication of the extent to which ruling elites have sought to exert control over post-war accumulation trajectories, and of the strategies deployed towards this end.

Complementing infrastructure as the physical basis of economic activity, the financial sector occupies a particular role in capitalist economies as a crucial enabler of any serious entrepreneurial venture – few entrepreneurs are able to scale up a business purely on the basis of prior wealth or retained earnings. Although the political implications of this centrality have less frequently attracted scholars' attention to date, studies engaging with the political determinants of financial regulation have recognised a linkage between the presence of a vibrant private banking sector and the political autonomy of capitalists,[36] an argument recently developed further to demonstrate how private banks can facilitate the mobilization of opposition support across ethnic boundaries.[37] More generally, the financial sector can clearly be identified as one of the "commanding heights" of any economy, the regulation and institutional design of which have far-reaching implications not just for a country's developmental prospects, but also for the extent of political control over economic actors.

As the third domain considered in this study, initiatives to reinvigorate productive sectors do not only offer a window into ruling elites' aspirations regarding the shape of the post-conflict economy. Their content and scope is also indicative of the degree to which they conceive of reconstruction as a centrally-directed process rather than as the result of the interplay of self-interested economic agents. Measures considered in this area hence range from regulatory reform facilitating investment, over active industrial policy efforts, to the direct involvement of the state in specific entrepreneurial ventures. What is common to all of these instruments is their impact in terms of enabling or restricting the ability of various actors to engage in profitable economic activity, and their resulting significance as determinants of the extent to which these actors can accumulate capital and economic power. Their analysis provides important insights into the kind of markets that powerholders seek to build, and of the role they envisage for themselves in this structure.

Finally, the analysis of state-led distributional politics looks at a set of direct mechanisms through which the state influences the allocation of economic benefits across society beyond the operation of the market, providing a strong indication of ruling elites' sway over economic actors as well as of their priorities in this respect. In addition to

[36] Boone 2005; Calomiris and Haber 2014; Lewis and Stein 1997.
[37] Arriola 2013.

patterns of expenditure for infrastructure and public services (both geographically and in terms of social stratification), it also considers distributional aspects of the extraction of revenues from society through taxation.

In sum, the empirical basis of the argument developed in this study comprises a set of qualitative accounts of dynamics in systemically important domains of economic reconstruction in the two countries under scrutiny. Of course, not all aspects of the broader argument outlined above manifest themselves in each of the considered issue areas to a similar extent: The chapter on public service provision and taxation, for example, primarily addresses distributional issues at the broader societal level rather than dynamics of elite accumulation. Collectively, though, these accounts enable a holistic appreciation of the respective economic reconstruction effort, and coalesce into a coherent picture that permits an understanding the significance of this process within the broader context of the formation of post-conflict social order.[38]

Incentives and constraints facing ruling elites in post-war Mozambique and Angola

The above section has already provided a basic introduction of the Mozambican and Angolan cases with a focus on criteria that are relevant from a research design perspective, stressing aspects of variation in contextual conditions. This section, in turn, affirms both countries' relevance as clear instances of post-conflict reconstruction featuring cohesive and dominant ruling coalitions. It deepens the discussion of Frelimo and the MPLA as elite coalitions in the form of an institutionalised party and of their position within society at the beginning of the reconstruction process, as those are central to the argument developed in this study.

[38] Inevitably, the coverage of policy areas is of course not exhaustive – for instance, the study does not comprise an in-depth account of post-conflict monetary policy.

With Frelimo and the MPLA, reconstruction was in both cases led by a national liberation movement that exhibited a considerable degree of institutionalization and cohesion, reflecting a legacy of uninterrupted government incumbency following its respective take-over from the Portuguese colonial power in 1975.

Having emerged from a coalition of liberation movements, Frelimo's role as the evident representative of the Mozambican people was largely uncontested at the time of independence on account of its role in the anti-colonial war, even if the extent to which the party had actually succeeded in mobilising broad swathes of the population in the insurrection should not be overstated.[39] Despite its adoption of a vanguard approach and of restrictive membership criteria, Frelimo accommodated a degree of diversity in political lines, notably in terms of including both self-declared socialists with a genuinely revolutionary agenda and more moderate elements. A profound aversion to overt ethnic loyalties, tribalism, and "obscurantism" as obstacles to modernisation notwithstanding,[40] this also intersected with an array of regional, ethnic, and racial dimensions to produce considerable internal heterogeneity.[41] Meanwhile, the party cultivated a strong discourse of "national unity" that, crucially, ought to be realised through Frelimo itself, casting the organisation as effectively the "owner of the country."[42]

Whatever the actual resonance of these far-reaching latter claims in the broader population, it is true that the origins of Frelimo's challenger Renamo were not those of a home-grown movement but those of a Rhodesian concoction, which recruited its initial members from colonial counter-insurgency squads that had fled Mozambique prior to

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[39] Newitt 2017, 140ff.
[40] This was reflected in membership criteria that for instance comprised not being religious and living monogamously, although it is questionable how rigidly these requirements were actually enforced.
[41] Abrahamsson and Nilsson 1995, 24–26; Chan and Venâncio 1998, esp. 6ff.
[42] Macuane, Buur, and Monjane 2017, 8ff.

independence.[43] Despite its notorious brutality and reliance on forced recruitment for actual fighters, the organisation was however able to capitalise on rural discontent over Frelimo's intrusive and sometimes outright repressive post-independence policies in the countryside and to build a degree of domestic popular support especially in the central regions of the country, complementing its material assistance from apartheid South Africa.[44] When the conflict came to an end in 1992 in a context of military stalemate, existential challenges to both parties arising from a severe drought period, and intense international mediation efforts,[45] Renamo's base was so substantial that the outcomes of the country's first multiparty elections of 1994 were not an entirely forgone conclusion.

Critical to the assertion of Frelimo's pre-eminence was therefore the adoption of a Presidential system that concentrated power in the executive branch, and which translated a relatively narrow electoral victory in 1994 into virtually complete control of all relevant political levers.[46] This was, in turn, facilitated by Frelimo's astute management of the process surrounding the peace agreement. In addition to eschewing a more negotiated re-design of the political system through pre-emptive reforms and thus forcing Renamo to "compete according to a set of rules which it had no say in devising,"[47] the party also ensured to have its status as the legitimate holder of state power codified for the interim period before the elections, giving the party "a definite edge over the opposition."[48] Renamo's leadership around Afonso Dhlakama was distrustful of Frelimo's intentions and repeatedly threatened to precipitate a breakdown of the peace process, but it ultimately failed to mount an effective resistance against these steps in a context where fighters on

[43] Hall 1990. More generally on Renamo and the history of the Mozambican civil war, see also Finnegan 1992; Vines 1991.
[44] Morgan 1990; Cahen 1987; Geffray 1990; Young 1990.
[45] Edis 1995; Alden 2001; Manning 2002; Alden and Simpson 1993.
[46] Carbone 2005; Morier-Genoud 2009; Manning 2010.
[47] Alden and Simpson 1993, 126.
[48] Morier-Genoud 2009, 155.

both sides showed clear signs of fatigue and where adherence to the process was also "sweetened" by significant, internationally-sponsored financial rewards disbursed to key actors.[49] While many observers at the time expressed hope that the 1994 elections would mark the beginning of sustained democratization,[50] in practice they granted Frelimo leaders far-reaching control over the post-war reform and reconstruction process.

Importantly, Frelimo's 1994 victory relied on a basis of electoral support that was discernibly circumscribed in geographical and socio-economic terms: The party's voters were strongly concentrated in the country's South (and especially in the capital Maputo) and to a lesser extent in the very North (the site of the party's historical origins), and disproportionately comprised members of the civil service and formal sector workers, typically employed by state-owned enterprises.[51] It was therefore crucial for Frelimo to maintain support among those core constituencies, which also posed a potential non-electoral threat due to their concentration in the urban setting of the capital, as well as their ability to acutely disrupt the functioning of the state and of the economy.[52]

Meanwhile, debates about the future direction of the country in light of the apparent weaknesses of the socialist model, as well as of the policy conditionalities imposed by the IMF and Western donors to whom Frelimo had turned in the late 1980s, revealed a degree of factionalism within the party leadership. While the most salient divide at the time pitted those generally embracing market-led reform (exemplified by the President, Joaquim Chissano) against committed socialists, this period also saw the beginning of a trend towards the rise of factions without clear ideological, ethnic, or other shared characteristics.

[49] Alden 2002, 354; Vines 1994.
[50] While acknowledging that political stability and "elite habituation" was in practice accomplished through informal side-deals rather than through a genuine acceptance of democratic institutions, a prominent analyst of Mozambique in 2002 still referred to the case as "one of the world's most unlikely postwar democratization success stories," see Manning 2002, 63.
[51] do Rosario 2012; Cahen 2000; Pitcher 2008, 243ff.
[52] This threat was salient in the 1990, as initial steps towards economic liberalisation had already provoked a number of significant strikes.

These factions were ostensibly united mostly by a shared interest in gaining access to party and state positions and, as apparent in this study, opportunities for the accumulation of wealth. As Aslak Orre and Helge Rønning have pointed out, an interesting aspect of this trend was that "in spite of bitter contestations for positions on the ruling bodies, members do not resign from the party. Instead, they become part of a network of loosely connected and more or less powerful factions and patrimonial networks."[53] Paradoxically, the degree of factionalism that Frelimo was able to accommodate was therefore in itself testimony to the centripetal pull emanating from the party, justifying its characterisation as a fundamentally cohesive organisation. Conceptually, it is worth highlighting that only the upper echelons of this organisation can reasonably be described as the country's ruling elite coalition, but that that the latter was, conversely, fully subsumed within the party.

Contrary to Frelimo, Angola's MPLA found itself at loggerheads with several rival independence movements before the Portuguese had even left the country. Its most consequential challenger proved to be the União Nacional para a Independência Total de Angola (UNITA), initially a breakaway group from a third significant movement, the Frente Nacional de Libertação de Angola (FNLA). Even though UNITA sought to distance itself from the FNLA's "tribalist" rooting in the ethnic group of the Bakongo, its leader Jonas Savimbi consciously maintained the image of an explicitly "African" movement, in opposition to an MPLA that was principally driven by the educated offspring of Europeanized urban elites, steeped into the leftist, social revolutionary discourse of the age, and relying on a constituency in which mixed-race Angolans figured prominently.

Not least due to substantial South African support, UNITA proved a tenacious opponent that controlled large swathes of rural Angola through sometimes state-like structures throughout the civil war, effectively confining the MPLA government to an

[53] Orre and Rønning 2017, 38.

archipelago of cities.[54] Like Frelimo, the MPLA also embraced a vanguard conception of the party that prized ideological purity and personal reliability over large membership numbers, especially in the aftermath of a brutal crackdown on internal dissent in response to a failed coup against President Agostinho Neto led by Nito Alves in 1977. Following these events, a purge of the rank and file reduced the party's membership to between 16,500 and 30,000 people.[55]

Meanwhile, the rise of a successful oil sector amid the implosion of virtually the entire rest of Angola's erstwhile fairly vibrant economy had a lasting impact on the character and priorities of the MPLA leadership. As such, the highly concentrated nature of the revenue streams from the sector, coupled with an extraordinary preponderance of the national oil company Sonangol rather than a petroleum ministry subject to more conventional standards of political accountability, facilitated the rise of a personalised patronage system under direct control of the President. This development already started under President Neto but undoubtedly intensified under his successor José Eduardo dos Santos, who was appointed to the position after Neto's death in 1979. A core entourage of key officials, military leaders and businessmen surrounding dos Santos increasingly established itself at the helm of a parallel system, while official state structures and even the MPLA party hierarchy to some extent faded in significance.

While the cohesion of this core elite could not be reduced to economic incentives alone (many of its members were connected by family ties or personal friendships preceding the MPLA's ascent to power), defections and attempts of establishing alternative centres of power were rendered unlikely by their joint dependence on a system whose

54 Pearce 2015. For further historical context on Angola's civil war, see for example Birmingham 2015; Newitt 2007.

55 The lower figure is from Hodges 2003, 51; the larger one from Soares de Oliveira 2015, 96. More generally on the Nito Alves coup and its significance in Angolan history, see Pawson 2014.

upstream components remained firmly in the hands of unquestioned loyalists.[56] The relationship between this core elite and the MPLA as an organisation was paradoxical to the extent that the party was at once essential as an instrument of internal and external legitimation, virtually indistinguishable from the Angolan state itself, and at the same time not actually very influential with regard to decision-making at the highest level.[57]

Key features of this setup were further amplified in the course of the country's transition towards a market economy, which tentatively began at the MPLA's party congress in 1985 and subsequently took shape in a sometimes meandering fashion through a series of reform programmes that continued well into the 1990s.[58] Although partially driven by an "emerging class interest" of those who had accomplished relative prosperity amid the decline of the Angolan economy and sought opportunities for further advancement,[59] as well as by the utter failure of the policies earlier attempted, this change of course also reflected developments in the international environment, including the Soviet Union's reconsideration of its involvement in the Third World and the simultaneous emergence of international initiatives to put an end to continuing conflicts.

Following the New York Accords of 1988, which stipulated a withdrawal of Cuban and South African forces from the country and rendered a military resolution of the conflict with UNITA seemingly unrealistic, the MPLA leadership ultimately not only deepened its economic reforms, but also initiated an end to official one-party rule and an opening of the political sphere. This comprised an internationally-assisted peace process and UN-administered elections in 1992, which however failed due to Savimbi's refusal to accept defeat and ended up ushering in the most destructive phase of the war.[60] Following a final

[56] Soares de Oliveira 2007, 602.
[57] Soares de Oliveira 2015b, 35ff.; Croese 2017, 88–90.
[58] Hodges 2003, 114–115.
[59] Ibid., 11.
[60] Anstee 1996; Messiant 2007c.

unsuccessful attempt at striking a deal with UNITA, the MPLA leadership firmly committed to a military solution to the conflict in the late 1990s.

In the economic realm, though, the government had already moved forward with a set of measures, notably including an accelerated privatization process that was superficially legal but highly politicised and arbitrary. As Christine Messiant has argued, this process amounted to a bid to ensure that members of the ruling elite would still enjoy "continued ascendancy in case of electoral defeat" by virtue of ownership of most significant economic assets of the country.[61] It also occurred in a context of erratic macroeconomic policy and an increasingly pervasive climate of lawlessness, enabling further insider enrichment through war profiteering, currency scams, and questionable "loans" from state-owned banks.[62] Meanwhile, the government retreated from many areas of public service provision, which were left to international emergency relief organisations and, to a lesser extent, domestic non-governmental actors like the Fundação Eduardo dos Santos (FESA); an organisation supposedly independent from the government and casting the President as a personal benefactor disconnected from the shortcomings of the government he led.[63]

Taken together, at the time that government troops succeeded at eliminating Savimbi in 2002, Angola had evolved into a country controlled by a cohesive elite coalition that offered considerable enrichment opportunities to its members, and that relied on the backing of a fairly institutionalised party organisation, from which it at the same time retained a degree of autonomy. Factionalism within the higher ranks of the MPLA never entirely disappeared, but it was managed in a mostly inconspicuous fashion that left even individuals who had ostensibly fallen out of favour in materially comfortable positions.[64]

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[61] Messiant 2007c, 100. See also Ferreira 1995, 18ff.
[62] Munslow 1999; Hodges 2003, 131–132. See also Chapter 3.
[63] Messiant 1999; Vidal 2007a.
[64] Soares de Oliveira 2015b, 100–101; Roque 2011.

After Savimbi's death, UNITA also all but disintegrated amid the MPLA's skilful co-option of remaining key figures. When the country's first post-war elections were finally held in 2008, its civilian successor hardly constituted a serious contender.[65]

At the same time, however, the MPLA's (and, by extension, the ruling coalition's) basis of popular support remained tenuous – as Jean-François Bayart put it shortly before the end of the war, "the MPLA's great and overwhelming trouble is that it has to govern a whole people."[66] Especially in light of the fact that many governance shortcomings had constantly been justified as a consequence of the war situation, the key challenge facing Angola's leaders at the beginning of the reconstruction process was hence to ensure that a substantial peace dividend would accrue to at least some segments of the broader public, without alienating the beneficiaries of the fundamentally exclusionary system it had constructed over the years of conflict.

Despite notable historical differences between Frelimo and the MPLA, the incentives and constraints facing both countries' ruling coalitions at the outset of reconstruction thus exhibited important similarities: In both cases, the fundamental challenge was to lock in a situation of momentary dominance for the longer term, which required assuring continuing allegiance among members of the ruling coalition, the maintenance and expansion of key bases of popular support in a context of formal democratization, and the avoidance of a rise of consequential political challengers. While all of these exigencies were demanding in their own right and in some regards suggested potentially competing priorities, ruling elites at the same time benefitted from a considerable degree of control over policy during a period in which institutions and social structures were in many regards unsettled. How they proceeded in this context in the

[65] Soares de Oliveira 2015b, 111f.; Pearce 2015, Ch. 9.
[66] Bayart 2000, 235.

economic realm, and what this meant for the evolution of the relationship between structures of economic and political power, is what this study seeks to elucidate.

Sources of evidence and challenges of research

While cross-case comparisons of developments in Mozambique and Angola make an important contribution to this study's argument, a considerable part of the research process consisted in the construction of robust empirical accounts of the economic reconstruction trajectory of each of the two countries under scrutiny in the first place.

A fair amount of information on general post-war developments in both countries and on formal policy is in principle available in the public domain, although not necessarily always easy to obtain in practice. In order to genuinely address the study's research question, with its emphasis on dynamics in the relations of power and influence between political and economic actors, however, access to credible sources of deeper insight into matters such as accumulation dynamics, the conduct of business in practice, or distributional questions, is indispensable. The collection of this data presents some distinctive challenges, not least due the fact that many of those capable of providing relevant information are themselves acutely aware of the close linkage between economic and political questions in the environments in which they operate, and of the sensitivity of these matters in the context of an electoral authoritarian political system.[67] While the general merits of a fundamentally qualitative, small-N comparative research design in light of object of study were already stressed above, this also means that the gathering of relevant evidence almost necessarily involves the judicious combination of information from diverse sources.

[67] For good accounts of the challenges of researching authoritarianism in a discipline whose standards have been shaped by the study of democracies, see Ahram and Goode 2016; Art 2012. On practical research strategies for the analysis of sensitive political economy questions, see Behuria, Buur, and Gray 2017.

For all of the considered issue areas, the study does make use of relevant quantitative data to the extent available, for instance regarding the amount and distribution of infrastructure spending, the market shares and profitability of different banks, or the volume and composition of private investment. Concerns about the reliability of economic data in many African countries are common,[68] and these are exacerbated in Mozambique and Angola especially for the earlier parts of the periods under scrutiny. The collection of accurate national-level statistics was inevitably affected by violent conflict and of course also not a first-order priority in the reconstruction process, although various organisations certainly collected data for their own purposes. While data collection and dissemination capacity has since improved in both countries, on many issues of potential relevance to this study there is simply no statistical material available.[69] This also specifically applies to the financial reporting of firms, which even for some very significant players is not subject to public scrutiny. Nevertheless, interesting data has been collected from a variety of sources, including different ministries, the central banks, the national statistics agencies, private firms, NGOs, international organisations, and other academic researchers. As these sources undoubtedly vary in terms to their reliability, clear attributions and assessments in this regard are provided wherever figures are cited throughout the study.

Beyond economic statistics, important insights regarding some aspects of the inquiry could undoubtedly be obtained in principle from well-designed surveys. Especially in the Angolan case, though, instances of serious survey-based research remain very rare, partly on account of manifold logistical challenges. With regard to many of the political economy issues addressed in this study, it is also questionable to what extent relevant participants could be recruited and whether they would be willing and comfortable

[68] Jerven 2013.
[69] Especially on more sector-specific issues such data almost certainly exists within ministries and other institutions, but is in most instances not accessible to the public.

answering pertinent questions. In light of these considerations, no collection of primary survey data was undertaken for this study, although evidence from existing surveys is used where available.

Regarding qualitative evidence, the existing academic case study literature certainly provided a useful starting point. For a variety of reasons, including practical obstacles to access arising from a restrictive visa regime and inflated fieldwork costs due to the oil-based economy, this remains a much more limited resource in the Angolan case, an increased vibrancy of this country literature in recent years notwithstanding. The Mozambican case is generally much better researched, including contributions that engage with specific aspects of its economic history and recent reconstruction trajectory in greater depth than this inquiry, although often with a different focus and frequently without explicit and sustained emphasis on political economy questions. For both cases, a deliberate attempt has been made to draw extensively on the excellent work of local researchers, which unfortunately too often receives limited attention beyond national boundaries due to the publication of many contributions in Portuguese and outside the dominant English-language journals in the field.

Analysis outfits such as the *Economist Intelligence Unit* or *Africa Confidential* offered an additional source of relevant material, as did reports from the international and local print media. Especially the latter provide not only a frequent but also increasingly high-quality coverage of relevant events under difficult conditions, with the courageous work of a small number of investigative journalists in both countries meriting particular emphasis.[70] In terms of written primary sources, the study also references a wide range of

[70] Angolan journalist Rafael Marques de Morais has faced repeated harassment over his investigations into the business activities of political and military elites, while Carlos Cardoso in 2002 paid with his life for his commitment to uncover corruption in the privatization of Mozambique's banks - see Smith, David, "Angolan journalist given suspended jail term over blood diamonds book", The Guardian, 28 May 2015; Fauvet and Mosse 2003.

publicly available documents, including government strategies, laws and regulations, reports from international organisations, donors, and NGOs, diplomatic cables, as well as company reports and websites.

In addition to this range of documentary evidence, the argument is informed by close to 100 elite interviews with Angolan and Mozambican government officials, local and international businesspeople operating in the two countries, diplomats, representatives of donors and international organisations, and local experts. The purpose of these interviews, most of which were conducted during approximately four months of fieldwork in Angola and three months of fieldwork in Mozambique,[71] was generally two-fold.[72]

First, the interviews served to obtain additional information about the issue areas under scrutiny and to corroborate information gathered from other sources, especially where there were doubts about the credibility of a piece of evidence. In many instances, this involved interviewees drawing my attention to documentary evidence that was actually already in the public domain but not easy to find if one did not know what specifically to look for, or providing critical contextualisation of a familiar piece of information, rather than sharing highly privileged information of which there was no record at all elsewhere. While the resulting lack of genuine "scoops" in the empirical chapters may come as a disappointment to friends of investigative reporting, from the perspective of an academic contribution it also comes with important advantages, as further discussed below.

Second, besides their function as a source of "raw" information, the interviews also had the more interpretive purpose of gaining insight into how various actors involved in economic reconstruction in Mozambique and Angola themselves perceive and evaluate the modalities and consequences of these processes, as well as their own roles within them.

[71] Angola: September 2016-November 2016 and May 2017-July 2017; Mozambique: September 2017-December 2017.

[72] On the different uses of elite interviews in general, see Tansey 2007; Richards 1996.

Due to the limited number of interviewees and the lack of probability sampling, in this regard the study does of course not make any claim to a comprehensive depiction of opinions among a given category of respondents in either country, but many of the personal assessments shared were nevertheless highly illustrative.

Consistent with these objectives, all interviews were semi-structured in the sense that a set of questions had been prepared in advance; many questions were however specific to each particular interview partner as well as open-ended and flexible.[73] Interviews were conducted in English, Portuguese, and in a few instances German, depending on the preferences of each interview partner.

The selection of interview partners combined the techniques of purposive and of snowball sampling. As such, I initially contacted various individuals whose pertinent experience and access to relevant information was apparent due to their former or current positions, with a view to ensuring a reasonably comprehensive coverage of the relevant institutions and a balance of respondents across the different categories of government officials, businesspeople, and, mostly in the Mozambican case, donor representatives. At this stage, I also greatly benefitted from recommendations from other researchers, including at my local host institutions, the Centro de Estudos e Investigação Científica (CEIC) at the Catholic University of Angola and the Department of Political Science and Public Administration at Universidade Eduardo Mondlane (UEM) in Maputo. At a more advanced stage of the research, I increasingly relied on further recommendations and introductions from some of my previous interview partners.[74] While there was a deliberate effort to ensure diversity among interview partners and to avoid an excessive clustering of

[73] Berry 2002.
[74] Tansey 2007.

informants belonging to any particular group, this stratification of the sample was not enforced in a strict fashion.

The eventual composition of the interview sample was also a function of variation in responsiveness, which generally proved to be less of a matter of respondent type or even specific institution than to the particular circumstances under which individuals had been contacted – requests sent to generic organisational contacts rarely elicited any response, whereas personal introductions often resulted in prompt follow-up even from within otherwise seemingly impenetrable organisations. The prospects of interview requests sent to specific individuals without prior introduction were almost entirely unpredictable, with many efforts in this regard coming to nothing while some of the most insightful interviews informing this study were also set up in this way. Unsurprisingly, interview partners who had retired from the positions that had granted them privileged insight into aspects of economic reconstruction were generally more available to be interviewed and sometimes dedicated considerable time to such meetings, while active business executives and government officials were typically hard to reach in the first place and more limited in their availability.[75]

Where interviews with the latter type of respondents could nevertheless be arranged, some participants also displayed apparent hesitations to depart from the "official line" of communication prescribed by the organisations that they currently represented,[76] although all participants were offered to speak under the condition of anonymous attribution and many of them made use of that option.[77] More generally, though, a challenge of collecting relevant evidence through interviews was not so much that respondents were uniformly hesitant to share information that they perceived as sensitive – rather, while some

[75] Thomas 1993; Welch et al. 2002.
[76] Welch et al. 2002; Duke 2002.
[77] Where this was the case, it was also clarified whether this referred only to the use of the respondent's name or also to his/her organisational affiliation.

of them clearly considered very carefully what to divulge, others liberally discussed not only sensitive matters of which they had first-hand knowledge, but in some cases also hearsay that was difficult to assess in terms of its veracity. In some instances, the challenge of filtering out potential misinformation also had a slightly different quality due the fact that certain interview partners had clear incentives to provide self-serving or misleading accounts, for example in the case of businesspeople who had a reputation of having benefitted from political connections themselves.

On the whole, the interviews conducted, as well as the substantial amount of time spent in Mozambique and Angola over the course of the project more generally, provided an invaluable source of insights informing the analysis presented in this thesis. In addition to enriching the empirical bases of the argument, they also served as an important safeguard against a crude imposition of external frames of interpretation upon local realities, though divergent perspectives of course exist within each country and this fundamentally remains an analysis written from an outsider's perspective.

Some of the points noted above hint at certain specific challenges associated with the use of interview evidence, also in the context of a broader recent debate about data transparency and replicability in qualitative research.[78] While some of the more extreme positions in this debate exhibit a serious lack of engagement with the realities of empirical research involving human participants especially in non-democratic settings,[79] I have been vigilant to address legitimate concerns regarding the use of evidence obtained from confidential interviews. Most importantly, this type of evidence is footnoted throughout the study in a fashion that preserves confidentiality, but nevertheless permits readers to adequately contextualise the respective interviewees' perspective. Moreover, and without

[78] For an overview of relevant perspectives, see the contributions to the symposium on "Transparency in Qualitative and Multi-Method Research", *Qualitative and Multi-Method Research* 13(1), Spring 2015.
[79] See also Shih 2015.

detracting from the importance of the interviews in the research process, it also merits emphasis that at no point such evidence is used to advance factual claims without back-up from alternative sources. Verbatim statements providing insights into interesting opinions and perceptions or pithy characterisations of certain issues are quoted in order to explore a more interpretive angle and highlight the human dimension of a theme susceptible to an overly materialistic analysis, but the argument of the study ultimately does not hinge on these quotes.

Ultimately, many of the concerns raised in the debate about data transparency and replicability betray a certain unease less with the use of specific types of evidence than with the case study method in general. There is, of course, an inevitable aspect of curation in the writing of any case study account. While individual pieces of information can be verified or refuted and while the argument developed with reference to the presented evidence is subject to the reader's critical scrutiny, the possibility that evidence contradicting a study's argument has been omitted or overlooked cannot be eliminated entirely. Moreover, rarely do pieces of evidence genuinely "speak for themselves," and how they are contextualised and woven together into a coherent narrative undoubtedly has an influence on their reception.[80]

These concerns ought to be taken seriously, and I have done so by addressing any evidence of which I was aware and which could be seen as undermining the study's argument head-on, either explaining why it is in fact compatible with that argument or formulating an appropriate caveat. More fundamentally, though, the case study approach, especially when drawing upon substantial field research, offers distinctive advantages in studying political economy dynamics in post-conflict settings that alternative approaches

[80] Gerring 2006.

struggle to match.[81] It enables the capturing of complex processes that are neither amenable to convincing attempts at quantification, nor best understood in terms of neat, unidirectional causal relationships.[82] Ensuring that fragments of evidence are appropriately placed in a broader interpretive context, while employing a consistent conceptual vocabulary that facilitates comparisons across cases, the approach not only enables the use of the best empirical evidence realistically available in the often challenging environments studied here, but is indeed uniquely suited to address the macro-level questions that this study is interested in.

Structure of the argument

The remainder of the study proceeds as follows. Chapter One positions the inquiry within the relevant literature and elaborates upon its core proposition. It starts out with a discussion of the (often implicit) political economy assumptions underpinning the liberal peacebuilding model, to then highlight the lack of substantive engagement with cases of post-conflict reconstruction featuring cohesive ruling elite coalitions. Detailing important elements of the study's argument already outlined in this introduction, it then proposes a different angle on these cases that draws on the literature on the political economy of authoritarianism and the politics of economic development.

Chapters Two to Five constitute the empirical core of the study, dealing with the four issue areas outlined above. Chapter Two discusses the rehabilitation of infrastructure after the end of conflict in Mozambique and Angola. It acknowledges that differences in the sheer volume of funding at the disposal of Frelimo and the MPLA respectively have clearly had an important impact in this domain, in that the latter embarked upon a spending

[81] Kapiszewski, MacLean, and Read 2015.
[82] The latter being an important impediment to the use of field experiments and other methods sometimes portrayed as more "rigorous", practical and ethical challenges of using these methods with regard to political economy questions in the settings at hand aside.

spree that has no parallel in Mozambique. At the same time, it also highlights similarities with regard to prevailing geographical biases, as well as to the prioritisation of large-scale projects offering concentrated economic benefits. In terms of the political management of access to business opportunities in construction and related sectors, close donor oversight in Mozambique has prevented some of the excesses that can be observed in Angola, but the sector still developed into an arena for the pursuit of elite interests and into an important vehicle for the formation of a new, politically unthreatening post-war business class in both countries.

Chapter Three examines the post-conflict development of the two countries' financial sectors, with a focus on banking. It demonstrates the politicised character of sector expansion and liberalisation in both cases, which manifested itself in a set of interesting commonalities especially during the respective first decade of reconstruction. Although directly statist strategies played a greater role in Angola, ruling elites exercised significant control in both countries by maintaining state shareholdings, acquiring ownership stakes in a private capacity, founding new banks, and taking senior management positions. Amid limited independent regulatory oversight, politicised imprudent lending in otherwise credit-scarce environments became an important factor that contributed to the domination of the emerging domestic private sector by politically connected entrepreneurs. Although greater divergence set in when foreign investors acquired controlling stakes in large Mozambican banks in the aftermath of a series of scandals, the proximity of banking to politics in both countries remained apparent.

Chapter Four considers initiatives to reinvigorate productive sectors of the economy in Mozambique and Angola. It identifies a certain divergence of approaches with regard to a greater visibility of directly state-led projects in the latter case, but also emphasises the extent to which the Mozambican state remained involved in the post-war economy despite an ostensibly profound privatization effort. In terms of the prioritisation of initiatives, it notes the privileging of a relatively small number of large-scale and often resource extraction-related projects in both cases, which stands in contrast to the persistence of generally difficult conditions for independent entrepreneurship. While Mozambique adopted a more active approach in the promotion of private, and specifically foreign, investment than Angola (where at least in the oil sector investor interest could to some extent be taken for granted), an important parallel from the vantage point of this study also consists in the fashion in which the linkage opportunities arising from foreign investment have been captured by politically connected entrepreneurs, often with active state facilitation.

Chapter Five considers the domain of state-led redistribution, comprising both the revenue and the expenditure side. It starts out by noting the reliance on both countries on non-tax sources of revenue (albeit at very different levels in absolute terms) and the limited progress in domestic revenue collection that was accomplished during the period under scrutiny. On the expenditure side, it shows how a large share of both recurrent and investment expenditure in both countries has been managed with a view to maintaining relatively privileged conditions for specific constituencies that are seen as critical for regime survival, although broad-based social and pro-poor expenditure has enjoyed somewhat greater priority in the Mozambican case on account of donor demands. Combined with a lesser degree of resource abundance, the latter pattern has at times placed core regime constituencies in an insecure position and contributed to political challenges that Frelimo has been facing, but the parallels regarding the overarching intent driving policy choices and their implementation between the two cases is again striking.

Chapter Six builds upon the observations from the preceding chapters to draw out shared patterns in the political economy of elite-led reconstruction. It emphasises the balance between economic expansion and political control that ruling elites in Mozambique and Angola have struck in their respective approach to economic reconstruction, and asks to what extent this overall pattern as well as specific strategies may be generalizable to other cases of elite-led recovery. It also reflects upon the effectiveness and sustainability of this approach from the vantage point of long-term regime consolidation, and points towards some potential sources of turbulence emerging in the political economies of Mozambique and Angola.

Finally, a brief concluding chapter reflects upon the study's broader findings and about their significance for related research agendas in the field. In addition to a call for a more serious engagement with the domestic political economy of reconstruction in general, it also draws out several themes emerging from the analysis presented here that warrant closer scholarly attention beyond the literature explicitly concerned with post-conflict environments. These include a trend towards an openly politicised kind of capitalism in countries with authoritarian tendencies around the world, as well as the extent to which this trend has been fostered by a global enabling environment that may have profoundly altered some widely accepted dynamics in the political economy of development. These lines of inquiry are particularly important in the context of widespread concerns about a global resurgence of authoritarianism, which increasingly exposes the fleeting nature of the post-Cold War historical conjuncture that, among other things, gave rise to the liberal peacebuilding agenda.

Chapter One: Beyond the liberal model of post-war economic recovery

The introduction has already outlined in general terms the centrality of international intervention and conditionality as ubiquitous reference points in debates about contemporary post-conflict reconstruction and peace building efforts, as well as the widespread lack of attention to instances of post-war recovery featuring strong domestic elite leadership. The purpose of this chapter is to elaborate on these points in order to clearly situate the inquiry within the relevant debates, to explain how the argument advanced here relates to established perspectives, and to highlight its novel contributions.

The chapter shows that political economy assumptions are in fact at the heart of the liberal peacebuilding agenda, with equitable access to economic opportunities and a reduction of poverty widely being seen as complimentary to the construction of a political order capable of managing societal conflicts of interest without a resort to violence. However, this thinking entails a distinctly prescriptive bent, in that it conceives of the specific combination of a democratic system of government and an inclusive market-based economy as virtually the only viable avenue towards sustainable post-conflict stabilisation. This claim overlooks the undeniable longevity of authoritarian political orders in many historical and contemporary instances, occluding the possibility that certain post-conflict settings may witness the emergence of economic and political dynamics that are indeed mutually supportive but at the same time very different from those envisaged in the liberal model.

Drawing on insights from the literature on the political economy of regime survival and consolidation, as well as contributions on the politics of economic development, this study contends that this is precisely what tends to happen in instances where a cohesive ruling elite coalition emerges from conflict substantially in control of state institutions. Such coalitions face a window of opportunity to consolidate their hold on power for the longer term, generating incentives to enable economic expansion in order to grow the amount of resources available for distribution to critical constituencies. While capitalist development entails inherent political challenges, they are also unusually well-placed to handle those thanks to their monopolisation of all relevant regulatory levers, the heightened institutional malleability typically presented by post-conflict settings, and the absence of a strong established business class capable of forcefully defending its interests vis-a-vis political power holders.

These considerations suggest that these settings are likely to witness a dynamic best described as "controlled expansion," marked by the creation of enabling conditions for economic activity, but overwhelmingly to the benefit of specific actors and conditional upon their political allegiance. A considerable share of the benefits of reconstruction will thus accrue to this circle of insiders, while a degree of redistributive intervention will serve to channel resources and benefits to broader constituencies seen as important for the consolidation of the coalition's hold on power. This proposition is subsequently substantiated through the empirical part of the study.

The chapter starts out with a brief discussion of the origins of the liberal peacebuilding agenda and of its underlying political economy assumptions. It subsequently engages with the limited attention dedicated to the agency and interests of domestic elites both in the academic literature on economic reconstruction and in the relevant policy debates, and argues that this perspective is untenable in settings featuring a cohesive elite coalition emerging from conflict in a dominant position. The third part of the chapter looks beyond the dedicated literature on post-war reconstruction to make sense of the dynamics likely to prevail in such settings. It finds inspiration principally in contributions on two distinct but inter-related themes, namely the political economy of regime survival and the politics of economic development. Distilling a set of key insights from these literatures and expanding upon their implications for the cases under scrutiny, the section sets out the study's core theoretical argument as the starting point for a deeper empirical inquiry into the political economy of elite-led reconstruction.

Peace and economic recovery: The liberal peacebuilding view

The logical starting point for any discussion of contemporary post-conflict reconstruction projects is the debate around "state failure" and fragile statehood. It is now commonplace to locate the origins of these problems in the very nature of the postcolonial state and of the international system into which states gaining independence after World War II were born, notably on the African continent. As such, the arbitrary and problematic character of territorial boundaries established under colonial rule,[1] the weak local rootedness of state institutions,[2] and the role of international norms in maintaining "quasi-states" despite their lack of key characteristics of empirical statehood have been discussed extensively.[3]

These issues gained considerable salience after the end of the Cold War, reflecting an array of factors that included the eroding interest of outside powers to externally stabilize client states in the developing world (thus precipitating the breakdown of institutions and the incidence of "state failure"[4]), the end of various conflicts that had been fostered by incompatible superpower interests (thus creating opportunities for reconstruction), as well as simply the disappearance of the overriding concern of great power conflict in Western foreign policy circles. Whichever of those factors was most influential, post-conflict reconstruction clearly came to be regarded as a priority area of international engagement

[1] Herbst 2014.
[2] Badie 1992.
[3] Jackson and Rosberg 1982; Jackson 1999; Clapham 1985.
[4] Rotberg 2004.

in the 1990s, when the temporary resolution of Security Council deadlock also created unprecedented opportunities for the authorization of peace operations with increasingly complex and ambitious mandates.

These operations quickly exceeded the traditional, and fundamentally conservative, notion of "peacekeeping", advancing instead a more transformative vision of "peacebuilding" – in UN Secretary-General Boutros Boutros-Ghali's words, "action to identify and support structures which will tend to strengthen and solidify peace in order to avoid a relapse into conflict."[5] Ultimately, the proclaimed aim of what came to be known as the "liberal peacebuilding" agenda was nothing less than the construction of viable democratic states, emulating the now supposedly uncontested Western model.[6] Although Africa, contrary to the Balkans, the Middle East, and Southeast Asia, did not see a full-fledged transitional administration in which outsiders took over far-reaching government authority, this transformative ambition has clearly resonated in the various complex peace operations undertaken in many parts of the continent over the years.[7]

In terms of economic reconstruction, this vision was from the outset firmly tied to a market-centred approach. Initially, the emergence from civil war was indeed sometimes regarded as a window of opportunity for the implementation of particularly far-reaching economic reforms, as the dislocations resulting from violent conflict were thought to have weakened the rent-seeking and patronage structures in the state apparatus that were so anathema to the "Washington Consensus" paradigm of economic development.[8] During the early 1990s, IMF and World Bank effectively "supported countries emerging from war in the same manner that they supported countries in the normal process of development,"

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[5] UN Doc. A/47/277 – S/24111, 17 June 1992.
[6] Mayall and Soares de Oliveira 2011; Chesterman 2005; Caplan 2006.
[7] Clapham 2011.
[8] Snodgrass 2004. See also Collier 2009 for a more differentiated perspective that nevertheless echoes this basic assumption. On rent-seeking as an impediment to development, see Krueger 1974.

that is, through the provision of financing and assistance for the implementation of structural adjustment policies that placed primary emphasis on macroeconomic stabilization and typically entailed measures towards the reduction of state intervention in the economy.[9]

Sobering experiences with ambitious economic reform programmes in places like El Salvador and Haiti quickly raised concerns about the suitability of this approach under the specific circumstances presented by post-conflict settings.[10] The US-led occupation of Iraq, during which policies in this vein were implemented in particularly comprehensive and unsuccessful fashion, also did much to discredit the case for radical attempts at economic "shock therapy."[11] Echoing a growing attention to the interplay between political and economic issues in post-conflict environments in the policy-oriented academic literature, as discussed in the next section, the discourses and practices of organisations commonly involved in reconstruction efforts therefore underwent a degree of evolution, yielding a growing emphasis on the importance of "conflict sensitive" approaches. For instance, the World Bank's influential 2011 *World Development Report* acknowledged in clear terms that "there are some fundamental differences between fragile and violent situations and stable developing environments", including the "need to restore confidence in collective action before embarking on wider institutional transformation" and the "priority of transforming institutions that provide citizen security, justice, and jobs."[12]

The emphasis has thus certainly shifted away from a laissez-faire approach and towards a recognition of matters like the support required by fledgling regulatory agencies, the need for specific initiatives in areas like poverty reduction, employment promotion and

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[9] Del Castillo 2010, 83.
[10] Del Castillo 2008.
[11] Dodge 2013; Barbara 2006; Berdal and Mousavizadeh 2010.
[12] World Bank 2011, 11. For discussions of the extent to which this rhetoric has actually informed policy practices, see Woodward 2013; Del Castillo 2010.

social protection, or the importance of responsible practices among large foreign investors.[13] The latter concern has also found expression in a number of international voluntary initiatives, including for instance the UN Global Compact "guidance on business in conflict-affected and high-risk areas", the Kimberley Process aimed at eradicating trade in conflict diamonds, and transparency initiatives in the extractive industries.[14] That said, the basic aim of fostering market economies driven by the private sector has remained fundamentally intact.

Indeed, despite the described evolution of thought and practice over time, as well as some variation in specific priorities across cases, the general economic policy precepts applied in internationally-assisted reconstruction efforts reflect a substantial underlying theory about the relationship between economic recovery and peace, which is also sometimes explicitly articulated but rarely problematized.[15] A section from a pertinent UNDP report is so illustrative of this thinking that it is worth quoting at length in this context:

> "Typically, developmental pathologies such as extreme inequality, poverty, corruption, exclusion, institutional decay, poor policy design and economic mismanagement will have contributed to armed conflicts in the first instance and will have been further exacerbated during conflict. Accordingly, post-conflict recovery is often not about restoring pre-war economic or institutional arrangements; rather, it is about creating a new political economy dispensation. It is not about simply building back, but about building back *differently and better.*"[16]

[13] Boyce and O'Donnell 2007; Ghani and Lockhart 2009; Ganson and Wennmann 2016; Woodward 2013; Haufler 2007.
[14] UN Global Compact Office 2010, see also Benner and Soares de Oliveira 2013; Haufler 2005. In addition, some attempts have also been made to encourage the deliberate participation of private firms in peace processes, see for example Nelson 2000; Ben-Porat 2005; Davis 2013; Ford 2015.
[15] See also Boon 2007.
[16] UNDP 2008, 5.

The creation of a rule-based market economy offering widespread access to opportunities, combined with the adoption of policies that reduce poverty and inequality, are thus understood as not just normatively desirable, but indeed as *necessary* to achieve the objective of durable post-conflict stabilisation.

Philosophically, the conception of statebuilding informing this view hinges upon the notion of a social contract between state and society, which accomplishes popular legitimacy through the creation of a just order in which the state provides security and access to public goods.[17] Only in this fashion, the reasoning goes, can the root causes of violence be genuinely addressed and society be enabled to enter a path towards sustainable prosperity. Although critical voices in the peacebuilding literature have advocated substantive conceptions of justice that place greater emphasis on welfare provision, social protection, and community concerns than the market-based liberal model with its primary focus on equality of opportunities among individuals,[18] this basic commitment to the idea of a social contract is indeed widely shared among otherwise rather antagonistic perspectives.[19]

The normative appeal of the social contract approach notwithstanding, it is worth pointing out that it hardly reflects the historical trajectory of most societies that today exhibit consolidated varieties of the envisaged combination of democratic political and market-based economic institutions.[20] As Charles Tilly has famously argued, state formation in Europe was an extremely violent process that was fundamentally driven by the attempts of local rulers to enhance their own power and to eliminate rivals.[21] To the extent that a social contract played a role in this development, this only occurred at an

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[17] See, for example, OECD/DAC 2011.
[18] Pugh 2006; Moore 2000; Richmond 2011a.
[19] Zaum 2012, 127.
[20] Krause and Jütersonke 2005.
[21] Tilly 1985; Tilly 1992.

advanced stage of a co-constitutive interplay of warfare, market-making, and state-making: As rulers sought to broaden their revenue base to invest into military capabilities, they increasingly had to promote domestic capital accumulation and to strengthen popular legitimacy that facilitated orderly taxation, offering a more efficient mode of revenue extraction than the threat or application of brute force. The emergence of liberal institutions was thus a result of a complex process in which order was initially established very largely through coercive means, rather than the starting point of statebuilding projects.[22]

Although Tilly was careful to refrain from a facile application of this logic to civil war in the post-colonial developing world (a point since echoed by several other scholars[23]), his contributions point towards a considerable blind spot that has emerged both in the policy debate and in the academic literature on post-conflict recovery. The limited success of international intervention in terms of transforming historically conditioned and deep-seated structures in the political economy of such countries has certainly been acknowledged, prompting vigorous debates on whether and how such intervention can be pursued more successfully.[24] Nevertheless, many contributions to these debates betray at least a tacit assumption that there is ultimately no post-conflict trajectory other than internationally-assisted liberal statebuilding that could actually result in some version of robust political order or even statehood. Roland Paris' spirited defence of liberal peacebuilding interventions spells out the implicit counterfactual, claiming that "the failure of the existing [liberal] peacebuilding project would be tantamount to abandoning tens of millions of people to lawlessness, predation, disease and fear."[25]

The extent to which other scholars agree with this assessment is difficult to assess due to the lack of explicit discussion of this matter in many instances – perhaps there is a

[22] See also Huntington 1968.
[23] Bates 2010; Sorensen 2001; Williams et al. 2011; Thies 2007; Besley and Persson 2010.
[24] Paris and Sisk 2009; Berdal 2010; Call 2008; Paris 2010; Stewart and Knaus 2012.
[25] Paris 2010, 338.

sizeable group of observers who do acknowledge the possibility of some kind of eventual stabilisation in the absence of intervention, but who are too sceptical about the normative desirability of this outcome and of the process leading there to entertain it as a serious policy option.[26] At a minimum, though, it seems fair to say that there has been little serious analytical engagement with alternative trajectories towards a stable configuration of social order, and with the specific dynamics that such a trajectory might entail.

From a recognition of local agency to an analysis of elite-led reconstruction

To a large extent, the lack of attention to the possibility of alternative trajectories of post-conflict reconstruction is a corollary to the prevailing perspective on the actors featuring in such settings. In this regard, it is easy to caricature the extent to which peacebuilding practitioners as well as the academic literature have focused on the role of external statebuilders at the expense of local agency.

At a general level, the entire case for the presumed necessity of internationally assisted peacebuilding of course rests on the assumption that domestic actors at a minimum lack the resources, but may also be incapable or unwilling to handle reconstruction on their own.[27] Some policy documents and political statements, especially from the 1990s and early 2000s, also did betray a "great post-conflict make-over fantasy"[28] that presumed the transformative potential of external intervention to be exceptionally far-reaching and almost entirely discounted the possibility of any alternative agenda. Moreover, it is indicative of widespread assumptions about the weakness and passivity of local actors that many donor organisations have portrayed "local ownership" of peacebuilding processes as

[26] Luttwak 1999 offers a provocative argument against intervention into ongoing conflicts, suggesting that for instance in the Bosnian case, "uninterrupted war would certainly have caused further suffering and led to an unjust outcome from one perspective or another, but it would also have led to a more stable situation that would have let the postwar era truly begin." For a related argument, see Herbst 2004.
[27] Paris 2010.
[28] Cramer 2006, 245.

something that needs to be actively encouraged and promoted, even if this trope itself arose from a recognition of the limits of what international intervention can accomplish.[29] Finally, the titles of some well-known contributions to the literature (such as Ashraf Ghani and Clare Lockhart's *"Fixing failed states: a framework for rebuilding a fractured world"*[30]) also convey a similar impression, even if their actual arguments tend to be more differentiated.

The point is, however, not that the role of domestic actors has been entirely overlooked, but rather that it has very largely been discussed only in terms of how it has affected the implementation of externally driven initiatives. For policy documents and the practice-oriented literature, this focus is of course justifiable – indeed, the described shift towards more context-specific approaches to economic recovery can be seen as a positive example of policy learning, which was likely informed not only by direct experience but also by arguments from the academic literature that gained some traction among practitioners.[31] Contrary to early attempts at internationally-led statebuilding, which tended to exhibit a lack of understanding of the distinctive social and economic orders emerging amid violent conflict and therefore to overestimate the malleability of post-conflict environments,[32] the need for post-conflict reforms to account for the economic legacies of conflict is nowadays widely acknowledged. In terms of policy-oriented contributions, this has for instance informed Graciana del Castillo's call for treating post-conflict economic reconstruction as a "Development Plus" challenge, which has to reconcile the demands of pro-growth policies with the imperatives of political and social stabilization.[33] Mats Berdal, in his introduction to an edited volume on economic perspectives on peacebuilding, notes

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29 Özerdem and Lee 2015; Von Billerbeck 2016. See also Englebert and Tull 2008.
30 Ghani and Lockhart 2009.
31 On organizational learning in UN peace operations, see also Benner, Rotmann, and Mergenthaler 2011.
32 E.g. Cramer 2009; Keen 2012; Keen 2008; Jackson 2002; Nitzschke and Studdard 2005; Boyce 2002; Le Billon 2012; Le Billon 2008; Brown 2006; Cheng 2013; Reno 1997b.
33 Del Castillo 2008.

the "tensions and the competing logic that often exist in 'post-conflict' settings between the pursuit of economic priorities *narrowly* conceived, and the requirements of peacebuilding and political stability."[34] As noted above, beyond a general acknowledgement of the distinctiveness of post-conflict settings among practitioners, there have also been some dedicated practical efforts to tackle critical elements of war economies.[35]

However, the tendency to conceive of the role of local actors primarily or even exclusively in relation to external initiatives also extends beyond the literature that deliberately seeks to speak to Western practitioners. Most notably, a range of contributions have focused on the theme of "hybridity" in the configurations of social order that internationally-led peacebuilding efforts tend to produce on the ground.[36] Although local agency plays a central role in these accounts, this strand of the literature has primarily concerned itself with dynamics at the absolute grassroots level. Often coupled with an explicitly critical perspective that seeks to problematize liberal peacebuilding's "diktats of universality and modernisation,"[37] it has therefore tended to conceive of alternatives to the liberal model very largely in terms of highly localised, community-based practices. This perspective undoubtedly raises some relevant concerns and draws attention to an important and often neglected dimension of peacebuilding.[38] At the same time, however, it also ironically ends up reifying the supposed hegemony of the liberal model and the "subaltern" status of local agents, and ultimately reinforces the assumption that questions of political

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[34] Berdal 2010, 12–13, emphasis in original. See also Snodgrass 2004.
[35] An particularly concerted effort in this regard was undertaken in in Liberia's Governance and Economic Management Assistance Program (GEMAP), see Berdal and Keen 2011. Noteworthy in this context more generally is also the increasingly common explicit use of political economy frameworks among development practitioners, see for example Nash, Hudson, and Luttrell 2006.
[36] MacGinty and Richmond 2013; MacGinty 2011; MacGinty 2008; Richmond 2011b; Pugh 2011; Millar, van der Lijn, and Verkoren 2013; Nadarajah and Rampton 2015; Pouligny 2006.
[37] MacGinty and Richmond 2013, 763.
[38] On the perils of neglecting local conflict dynamics, see for example Autesserre 2010.

and economic order at the macro-level of the national state are the preserve of external actors.[39]

From a more positivist vantage point, a set of contributions that explicitly engages with the role of domestic elites has been provided by Michael Barnett, Christoph Zürcher, and Songying Fang, who have analysed peacebuilding as a strategic process involving international actors as well as domestic elites at different levels. The most likely outcome of such a process, they argue, is a form of "compromised peacebuilding" that entails a mix of liberal reforms and the consolidation of the political status quo.[40] While this analysis recognises the importance of national-level domestic elites and specifies their assumed preferences in general terms as retaining political power, these elites are however still portrayed in a fundamentally reactive position and as acting in a rather opportunistic fashion, rather than as actively pursuing any internally coherent alternative reconstruction agenda. Meanwhile, contributions that have engaged with the possibility of "autonomous recovery" and the ways in which certain domestic elites may actually be able to build durable post-conflict orders in the absence of external intervention or even in active defiance of its precepts remain few and far between.[41]

An explanation for this oversight is the frequent lack of systematic attention to the considerable variation in conflict dynamics across cases, to the different ways in which conflicts can end, and to differences in how these patterns condition subsequent reconstruction processes.[42] Despite the growing emphasis on the issue of wartime legacies, the potentially very different character of these legacies across cases has been discussed much less frequently. Even sophisticated analyses instead tend to invoke a default depiction

[39] See also Zaum 2012.
[40] Barnett and Zürcher 2009; Barnett, Fang, and Zürcher 2014; Zürcher 2013.
[41] Besides the emerging literature on "illiberal statebuilding" discussed below, Weinstein 2005 is a rare exception.
[42] Licklider 1993; Wallensteen and Sollenberg 1997.

of post-conflict environments as involving myriad actors who navigate complex rivalries and alliances amid a high degree of informality.[43]

Although certainly applicable to some settings, such a perspective poorly accounts for the dynamics of cases where conflict featured a limited number of reasonably well-organised groups, one of which was subsequently able to acquire a dominant position during the transition to peace. The clearest instances of such a pattern are cases in which one party effectively prevailed militarily,[44] such as the Rwandan Patriotic Front's (RPF) ascent to power after putting an end to the 1994 genocide, the Ethiopian People's Revolutionary Democratic Front's (EPRDF) unseating of Mengistu Hailemariam in 1991, or the Movimento Popular de Libertação de Angola's (MPLA) eventual triumph over Jonas Savimbi's União Nacional para a Independência Total de Angola (UNITA) in 2002.[45] However, comparable outcomes have also resulted from negotiated settlements and (more or less) democratic elections, exemplified by the re-entrenchment of Hun Sen's Cambodian People's Party following a period of UN transitional administration (1992-93),[46] or the continuing incumbency of the Frente de Libertação de Moçambique (Frelimo) following a negotiated peace agreement in 1992 and UN-assisted elections in 1994.

Despite important historical differences and idiosyncrasies, all of these cases share a defining feature in terms of the presence of a cohesive domestic elite coalition, which also had considerable organisational capacities at its disposal. In some instances, these latter capacities were to a large degree a direct result of wartime experiences (such as in the

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[43] E.g. Cheng 2013; Reno 1997a; Menkhaus 2010.

[44] There is a literature on the durability and impact of negotiated settlements and military victories respectively, see Fortna 2004; Toft 2010; Edward Flores and Nooruddin 2009. However, the impact of different patterns of conflict termination on economic reconstruction have thus far only been explored at the level of aggregate growth rates.

[45] Perhaps with the exception of the Sri Lankan government's crushing of the Liberation Tigers of Tamil Eelam in 2009, there are no recent cases of civil wars ending through "pure" military victory – even in the Angolan case a peace agreement was formally concluded, while the cases of Rwanda and Ethiopia even featured a transitional period during which multiple parties were at least formally represented in government.

[46] Hughes 2003; Heder 2005.

cases of the erstwhile rebel movements of the RPF and the EPRDF), while in others they reflected the survival and assertion of political organisations whose existence pre-dated the conflict period (notably as national liberation movements, such as in the cases of the MPLA and Frelimo).

The applicability of prevailing lenses from the post-conflict reconstruction literature to these cases is highly questionable: It should have been fairly clear from the outset that the leaders of these organisations had fought hard to maintain or acquire political control at the national level and needed little encouragement to assume ownership of the national reconstruction process. Nor did they seem to accord particular priority to the traditional, community-level practices highlighted by the literature on hybridity. To make sense of the forces shaping macro-level approaches to economic reconstruction in these cases, a perspective that takes an externally driven agenda of liberal reform as its starting point and accounts for domestic factors merely in terms of causing deviations from this approach is therefore at best incomplete, and indeed likely to result in misleading interpretations. Instead, a prism of analysis that explicitly accounts for the incentives and constraints facing domestic ruling elites in post-conflict settings, as well as for the distinctive capacities of cohesive ruling coalitions, is required.

Despite an emerging scholarly interest in recent years, the literature on elite-led reconstruction remains small and has thus far not engaged with the political economy of these experiences in great depth, especially in terms of a more comparative analysis that extends beyond the discussion of individual cases. Will Jones, Harry Verhoeven, and Ricardo Soares de Oliveira draw attention to several African states "ruled by unified and well-organised movements that have, in the aftermath of conflict, captured the state and established durable political order, building a core of functional institutions. Their aspirations go beyond a short-term resource grab, as they use the state to centralise resources and create and/or strengthen a robust edifice of control."[47] They further note that "the sophistication with which the illiberal state-builders have thought about economic success as a determinant of political power is remarkable", and specifically highlight "dynamics of primitive accumulation orchestrated from the centre", which they see as constituting an attempt to "permanently change the state-society relationship and to promote the economic rise of new social groups that will underpin the pursuit of other regime priorities."[48]

Similarly, the centrality of economic questions is clear from many case study accounts of pertinent reconstruction experiences: For example, Jonathan Goodhand has described the Sri Lankan government's pursuit of a "combination of initiatives, including industrial development and infrastructure projects, ranging from bridges and power plants to roads and tourist development" as an attempt to "reinvent development as the route to security",[49] while Julia Mann and Marie Berry have argued that the RPF in Rwanda is "attempting to use the development of markets as a way to deepen state power."[50]

But what is largely missing thus far is a holistic attempt at capturing key dynamics in the politics of elite-led economic recovery that are transferable beyond the boundaries of an individual case, and that leverages the conceptual instruments offered by relevant literatures beyond the scholarship explicitly concerned with reconstruction and peacebuilding.

"Controlled expansion": Towards a political economy of elite-led reconstruction

Addressing the gap delineated in the previous section fundamentally entails developing an account of whether and how a specific configuration of the ruling elite coalition and its

[47] Jones, Verhoeven, and Soares de Oliveira 2013, 5.
[48] Ibid., 12.
[49] Goodhand 2010, 354.
[50] Mann and Berry 2016, 120.

position within society at the end of conflict subsequently generates distinctive dynamics in the interplay of economic policy, economic outcomes, and the relations of power and influence between political and economic actors.

While, as will become apparent in this section, there is no readily available theory elucidating this matter provided by the existing literature, two bodies of scholarship in particular offer important sources of inspiration. On the one hand, the scholarship on regime survival and consolidation has long recognised the frequent centrality of economic questions to its subject of interest. On the other hand, various contributions to the literature on the political economy of development have engaged with similar concerns from a different vantage point, typically starting out with the observation of particular economic outcomes (often conceptualized in terms of economic growth or structural transformation, be they positive or negative), and then seeking to understand to what extent those were driven by political dynamics.

Two major insights from these literatures inform the argument advanced in this study: First, that the objectives of political stability and capitalist development are not necessarily complimentary but may stand in substantial tension with each other, and second, that the configuration of ruling coalition and elite-society relations prevailing in the cases under scrutiny here is nevertheless likely to be associated with a more economically expansionary orientation than other setups.

With regard to the former point, a range of contributions has cast doubt on the fundamental complementarity of market-based development and political stability that is so central to the liberal peacebuilding model, especially when stability is assessed from the vantage point of ruling elites with an interest in prolonging their hold on power. For the sub-Saharan African context in particular, a large literature on patronage politics and neo-patrimonial modes of governance has explored how many rulers have secured their political survival through the channelling of economic benefits to political allies and key constituencies, but to the detriment of any kind of sustainable and inclusive economic development.[51] This has typically involved the direct allocation of resources through the state, for example in the form of positions in the civil service and state-owned enterprises, arguably accounting for resistance against reforms aimed at reducing the weight of the public sector and promoting privatisation.[52] Meanwhile, independent capitalists have often been seen as potentially threatening and in some instances even been deliberately undermined,[53] whereas examples of productive relations between political powerholders and private capitalists have been exceedingly rare on the continent.[54]

This latter point also resonates with classic arguments about the capitalist bourgeoisie as an agent of societal pluralism and source of demands for political representation,[55] as well as with historical observations from other parts of the world regarding the tendency of political leaders to oppose economic innovations that could have threatened their control over the economy.[56] In a similar vein, it has also been shown that authoritarian rulers do not tend to voluntarily establish reliable property rights that could constrain their scope for discretionary intervention in the economy[57] – undermining a basic conventional condition of private sector development.[58] What all of these contributions suggest is that the pursuit of economic development, especially through a market-driven

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[51] Clapham 1982; Chabal and Daloz 1999; Van de Walle 2001; Bayart 2009. For conceptual critiques of neo-patrimonialism (although not necessarily implying substantive disagreement with the basic arguments outlined here), see Erdmann and Engel 2006; Pitcher 2012. On the challenges to liberal peacebuilding arising from neo-patrimonialism, see Taylor 2007.
[52] Tangri 2005; Bienen and Waterbury 1989; Greene 2010; Herbst 1990.
[53] Boone 1990; Boone 1992; Bates 2010.
[54] Berman and Leys 1994; Iliffe 1983.
[55] Moore 1966. Other scholars have advanced related arguments regarding the link between capitalist development and democratisation, but portrayed this relationship as more contingent and underpinned by different causal mechanisms, notably class differentiation, mass political mobilisation, and changing value orientations. See Rueschemeyer, Huber, and Stephens 1992; Acemoglu and Robinson 2006; Inglehart and Welzel 2005.
[56] Acemoglu and Robinson 2013, Ch. 8.
[57] Haber 2008; Haber, Maurer, and Razo 2003; Keefer and Knack 1997.
[58] De Soto 2001.

framework, is often not a logical corollary of political stabilisation, but to the contrary "politically risky" from the perspective of power holders.[59]

Perhaps the most theoretically systematic formulation of this insight is provided by recent iterations of the "new institutional economics" approach to the study of economic development: While early contributions in this vein accorded causal priority to institutions and suggested that sustained growth would occur once key elements of a rules-based and inclusive institutional framework are in place,[60] more recent analyses have acknowledged the difficulty of establishing such an institutional framework in the first place. Introducing the concept of "limited access orders," the late Douglass North and his collaborators have argued that deliberate limitations to economic access often serve to generate and allocate rents, supporting a delicate bargain among rival elite factions and thus fulfilling a critical political function.[61]

At the same time, and cautioning against a portrayal of the impact of political factors on economic prospects in the developing world in exclusively negative terms, scholars have sought to develop more differentiated perspectives that pay greater attention to variation across cases. As such, contributions interested primarily in the issue of regime survival have pointed out that there appears to be a variety of models of prolonged rule relying on varying degrees of co-optation through material incentives, coercive repression, and ideological commitment, and that even analyses focusing on the first of these dimensions need to account for differences in political conditions across countries.[62] Conversely, some important strands of scholarship on economic development have sought

[59] Chaudhry 1993.
[60] A good summary of the perspective is provided by Acemoglu and Robinson 2013. On the considerable traction of this lens among practitioners, exemplified by a widespread emphasis on institutional reform and "good governance" in donor agendas, see Mkandawire 2007.
[61] North, Wallis, and Weingast 2009; North et al. 2013. For a critique of this approach, see Gray 2016.
[62] In addition to the framework proposed by Bueno de Mesquita et al. discussed below, see Wintrobe 1990; Wintrobe 2000; Haber 2008.

to explain differences in economic outcomes across countries with a strong emphasis on political factors. To what extent do these contributions provide insights into the dynamics likely to prevail in post-conflict settings featuring cohesive ruling elite coalitions in control of the state?

A first prominent framework meriting discussion in this regard is the rational choice theory of political survival developed by Bruce Bueno de Mesquita and several collaborators. This theory focuses on the impact of variation in the size of the group exercising genuine influence over the selection of leaders (the "selectorate") across polities, and of the resulting differences in the size of the "minimum winning coalition" needed to sustain political power. Although fundamentally "a theory of how political leaders *allocate* resources, with allocation decisions assumed to be made with an eye toward enhancing incumbents' prospects for remaining in office,"[63] the analysis extends beyond purely allocational questions to also discuss the extent to which leaders face an incentive to pursue growth-oriented policies. Its basic proposition in this regard is that only where the selectorate is extraordinarily large, prospects of political survival are enhanced through a broad distribution of public goods, and ultimately a focus on aggregate economic prosperity. Leaders in environments with smaller selectorates, in contrast, prolong their tenure by maintaining strong control over the allocation of revenues and by concentrating economic benefits in a relatively small group of politically relevant individuals, with a typically negative impact on economic activity and growth.[64]

While empirical evidence in support of these claims is presented,[65] an important weakness of this theory is, however, its silence on the question why the size of the selectorate differs across polities in the first place. Moreover, it does not address the

[63] Bueno de Mesquita et al. 2003, preface, emphasis added.
[64] Ibid., Ch. 7. See also Bueno de Mesquita and Smith 2012.
[65] See also Lake and Baum 2001.

concern of how to determine the size of the "real selectorate" in electoral authoritarian regimes, where political power is nominally contested through elections with a broad franchise but where the actual competitiveness of these elections is typically questionable.[66] In such environments, extra-electoral threats to regime survival such as coups, rebellions, or popular revolutions also often remain relevant,[67] suggesting a particular importance of groups like the army and the police, as well as a variation in the political relevance of different segments of the public (for instance regarding the greater political threat emanating from city dwellers, as discussed in the literature on urban bias).[68] Finally, and particularly limiting with regard to the concerns of this study, the framework relies on the grossly simplifying concept of a unitary "dictator," thus precluding any serious engagement with the specific configuration of the ruling elite coalition in a given setting.

Although based on a rather simple analysis, more useful for the purposes of this study is actually an earlier contribution on related themes offered by Mancur Olson. Olson's basic proposition was that, due to the deleterious impact of excessive predation on productivity, even purely self-seeking rulers have an inherent interest in the moderation of revenue extraction from society and in the provision of a modicum of public goods, as long as they expect to rule for an extended time period (introducing the metaphor of the "roving" vs. the "stationary bandit").[69] While advancing an important insight and a powerful heuristic image, Olson's analysis, however, stopped short of engaging with the obvious follow-up question of *why* certain rulers govern with a longer time horizon than others.

This latter concern is at least partially addressed by a final important framework informing the argument advanced in this study, namely the "political settlements" approach

[66] Bogaards 2009.
[67] Roessler 2011.
[68] Bates 2005; Herbst 2014.
[69] Olson 1993.

initially developed by Mushtaq Khan.[70] This approach starts out with the basic proposition that the institutions governing a society (comprising both formal and informal decision-rules) can only exhibit stability if they, on the one hand, enable at least a certain minimum level of economic performance and, on the other hand, are also politically viable. What is meant by the latter point is that these institutions must generate distributional outcomes that appease individuals and groups capable of (ultimately violent) resistance, as those will otherwise attempt to alter or overthrow the existing arrangements.[71] These political constraints are not uniform across cases, but fundamentally conditioned by the prevailing distribution of power in a given society, which is typically the result of long-term historical processes.[72]

A central proposition of the political settlements approach is that certain distributions of power are more compatible with the maintenance of growth-enhancing institutions than others. Its two key dimensions in assessing this distribution of power are, first, the extent to which there are powerful elite factions excluded from the ruling coalition that exercises control over political institutions, and second, the degree of internal cohesion of this ruling coalition. Coalitions marked by a high degree of dominance and cohesion, the framework suggests, tend to be well-placed to pursue growth-enhancing policies, partly due to their greater ability to centralize control over the allocation of capital and to implement policies, but crucially also because the absence of credible political challengers means that they are able to govern with an extended time horizon. In contrast, ruling coalitions that are internally fractious or threatened by strong excluded factions are more

[70] Khan 1995; Khan 2010.
[71] This latter aspect of "disruptive potential" is helpfully highlighted by Kelsall 2018.
[72] Khan has recently argued that this distribution of power is in fact what should be referred to as the "political settlement," seemingly departing from an established definition as "a combination of power and institutions that is mutually compatible and also sustainable in terms of economic and political viability." To the extent that this study employs this concept directly, it adheres to the latter definition. On recent conceptual debates regarding the framework, see Khan 2018a; Kelsall 2018; Khan 2018b.

susceptible to the pursuit of their members' short-term priorities. In the most extreme case, this may induce ruling elites to not even attempt to invest into the prolongation of their tenure but instead to focus on maximizing outright self-enrichment before they are removed from power.

Importantly, in describing cohesive and dominant coalitions as "potentially developmental," contributions using the framework do not suggest that such coalitions were inclined to implement the kind of liberalizing reforms commonly portrayed as growth-enhancing. Rather, drawing on elements of Marxist thought, capital accumulation as such is seen as a critical driver of development – the ruling coalition will still seek to exercise control over how this accumulation occurs in a fundamentally political fashion, but as long as the beneficiaries of its interventions channel their capital into productive investments, this may result in developmental outcomes.[73] Some observers building upon this approach have therefore advocated support for regimes seen as practicing forms of a long term-oriented "developmental patrimonialism" as a more promising avenue towards economic progress than an insistence on comprehensive institutional reform programmes.[74] These propositions have found some empirical support, although analyses have also noted the notoriously fine line between supposedly developmental interventions and unproductive crony capitalism.[75]

Unfortunately, many contributions invoking the political settlements approach remain slightly vague in their conceptualisation of the two dimensions employed to assess the distribution of power across society and the character of the ruling elite coalition. Especially the conceptualisation of internal cohesion varies between different iterations of

[73] Whitfield and Gray 2014; Gray 2016.
[74] Kelsall 2013; Booth and Golooba-Mutebi 2012; Routley 2014.
[75] Whitfield and Buur 2014. This point is related to a long-standing debate about the merits and risks of state-led development, see for example Evans 1989; Evans 1997; Kohli 2004; Abegaz 2013.

the framework, and remains somewhat undertheorised.[76] Still, there can be little doubt that the post-conflict ruling coalitions considered in this study closely correspond to the features of what adherents to the framework refer to as "potentially developmental coalitions": As such, excluded factions in the settings under scrutiny were at a minimum politically marginalized or even militarily defeated, while the coalitions themselves were constituted by the senior leadership of organisations exhibiting considerable degrees of institutionalization. The latter point in particular resonates with insights from the literature on regime survival and durability, which have stressed the importance of institutionalized mechanisms for the management of elite competition and allocation of benefits, typically in the form of a party organisation, as a key source of elite cohesion.[77]

Whether the economic policy priorities of ruling elites will ultimately result in sustainable and inclusive development is one of the more debatable contentions of proponents of the political settlements approach (see also the discussion in the concluding chapter), but it is in any case not the primary focus of this study. What the approach does provide is an account of why the incentives and constraints facing ruling elites in the settings under scrutiny are in important regards distinctive, and likely to engender a more expansionary disposition than those prevailing in other post-conflict settings. Whereas elites in post-war environments marked by a fragmented distribution of power face the fundamental challenge of crafting a viable bargain with their political rivals, and may indeed find this impossible to accomplish on acceptable terms, these coalitions are able to focus on maintaining their internal unity and thwarting the rise of potential challengers, but also on entrenching their hold on power for the longer term. This crucially entails the cultivation of support in key constituencies, generating a fundamental interest in an

[76] In Khan's initial formulation, this dimension referred more specifically to the strength of "lower-level factions" within the coalition, but recent applications have increasingly opted for a more general conception of ruling elite cohesion, see Whitfield and Buur 2014; Macuane, Buur, and Monjane 2017.
[77] Smith 2005; Brownlee 2007; Magaloni 2008; Svolik 2012; Levitsky and Way 2012.

expansion of the amount of rents that can be distributed to supporters and thus in economic growth.

At the same time, the priorities of such ruling coalitions still deviate substantially from those of the donor-supported liberal model of economic recovery discussed above: From their vantage point, the promotion of a genuinely competitive market economy posing the risk of an unpredictable diffusion of economic power, as well as a broad-based provision of public goods with a focus on those with the greatest needs, makes little sense and may prove politically suicidal. Instead, ruling elites should be expected to prefer a politically controlled mode of reconstruction in which they maintain a high degree of discretion in granting and withholding access to opportunities, and in which benefits are channelled to individuals and constituencies that are genuinely critical to securing the coalition's hold on power.

Adding an important nuance that is not addressed in any detail in existing contributions, the legacies of conflict are likely to provide ruling elites with unusually propitious conditions to reconcile these potentially conflicting imperatives: As such, rulers that have prevailed decisively in violent conflict tend to exert an exceptional degree of control over fundamental questions of institutional design, and face less of a need to accommodate existing powerful actors in the political economy outside the ruling coalition. This latter point specifically refers to the common absence of a strong established business class, whose interplay with political elites is otherwise often central to macro-level political economy analyses.[78]

Cohesive ruling coalitions exerting far-reaching control over post-conflict state institutions thus face a unique window of opportunity to structurally "lock in" their initial

[78] Schneider and Maxfield 1997; Evans 1997. Notwithstanding, actors that have acquired wealth in the course of conflict may pose a different source of complexity in some contexts, as stressed by Cheng 2013.

dominance through the promotion of loyalists as dominant actors in the post-conflict economy, as well as through active attempts at broadening their bases of popular support through a targeted allocation of benefits. To the extent that attempts at controlled accumulation succeed, these strategies may well be compatible with episodes of economic growth, even though a reliance on discretionary "deals" as opposed to the establishment of a credible rules-based system is likely to encounter longer-term limitations in this regard.[79] More importantly for the purposes of this study, though, the potential for path dependencies in the patterns of economic power entrenched during the early reconstruction period is undoubtedly significant, perhaps at least equally so as with regard to more obviously political issues, such as the design of the electoral system.[80]

In sum, existing contributions on the political economy of regime survival and the politics of economic development provide a basis for a theoretical proposition that post-conflict settings featuring a cohesive ruling elite coalition should exhibit distinctive political economy dynamics, specifically regarding a disposition towards an approach that may be summarised as "controlled expansion." However, the precise features of this approach, as well as its specific implications in terms of the relations of power and influence of political and economic actors, are not readily predicted on the basis of these frameworks. The purpose of the empirical analysis that follows in the next chapters is therefore not so much to "test" the broad proposition outlined above, and certainly not to evaluate the merits of the theoretical frameworks from which it has taken inspiration on that basis. While empirical corroboration of the core proposition is certainly an important objective, the chapters primarily serve as a foundation for a more inductive further

[79] Hallward-Driemeier and Pritchett 2015; Sen 2013; Lewis 2007; Moore and Schmitz 2008.
[80] See Albertus and Menaldo 2014 as well Riedl 2015 for related arguments regarding the ability of incumbent elites to shape political institutions during phases of transition.

specification of the characteristic political economy dynamics prevailing in these under-researched settings.

Conclusion

This chapter has demonstrated an important blind spot in the analysis of economic recovery with regard to settings where a cohesive ruling coalition has emerged from conflict in control of the state, and explained why such coalitions are likely to pursue an approach to economic reconstruction that neither conforms to liberal reform precepts, nor to expectations about predatory elites solely concerned with self-enrichment or the precarious management of short-term alliances.

The chapter has highlighted the prevalence of a model of externally-assisted "liberal peacebuilding," which is underpinned by a set of distinctive assumptions about the link between peace and a particular kind of economic development, as the almost universal reference point in policy debates and much of the academic literature. Where the relevance of local political agency is accounted for, it features mainly as a factor that may cause deviations from this envisaged trajectory, but not as a source of a different model of reconstruction with internally coherent political economy assumptions that substantially differ from the liberal approach.

The chapter then proceeded to advance a proposition about the likely implications of the particular configuration of incentives and constraints prevailing where a cohesive ruling coalition has acquired or asserted far-reaching control over the state. Drawing on several strands of relevant literature, it has emphasised the political challenges inherent in market-based development and the limited political pay-off of pro-poor spending, due to which such coalitions are likely to pursue an approach that maintains greater discretionary control over access to economic opportunities and that is less inclusive than envisaged by proponents of liberal peacebuilding. At the same time, their control over all relevant political levers, combined with the heightened institutional malleability marking post-conflict environments, should allow them to accommodate this political imperative within a more expansionary and future-oriented agenda than what could be expected from the members of an internally fractious or externally embattled coalition, which are more likely to invest significant resources into short-term co-optation or to even conclude that "getting rich while they can" is the most attractive option at their hands.

While insights from a literature that has rarely been leveraged in the analysis of post-conflict economic reconstruction thus provide a basis for a set of clear conjectures about the character of elite-led economic reconstruction, this important subject remains almost entirely unexplored from an empirical perspective. This is the lacuna that the remainder of this study sets out to address through a comparative exploration of the cases of Mozambique and Angola. As explained in the introduction, in both cases the ruling party that had already been in power since independence in 1975 had managed to emerge from conflict intact and in control of all significant levers of power; in the case of Angola's MPLA through outright military victory and in the case of Mozambique's Frelimo through the skilful handling of peace negotiations and the establishment of an electoral system with strong "winner-takes-all" effects. The following chapters investigate the consequences of this configuration across domains of economic reconstruction that are critical from a political economy perspective, starting with the rehabilitation of physical infrastructure. In combination with the theoretical considerations explored in this chapter, these analyses underpin the study's core argument, advancing a fledging research agenda on elite-led post-conflict recovery and illiberal statebuilding.

Chapter Two: Post-war infrastructure rehabilitation

The rehabilitation of physical infrastructure is perhaps the most obvious and tangible aspect of economic reconstruction in any post-conflict environment. Following the end of their respective civil wars in 1992 and 2002, needs in Mozambique and Angola in this regard were of tremendous proportions. Despite a belated Portuguese construction boom in the final years before independence, neither country had inherited a particularly dense and advanced infrastructural grid from the colonial era in the first place. Moreover, extended periods of effective loss of government control over large parts of the national territory meant that whatever infrastructure existed had suffered considerable decay even where it was not directly destroyed by the war.

From the political economy perspective adopted in this study, post-war investment into infrastructure has a dual relevance. First, the availability of at least basic transport infrastructure and access to water and electricity are indispensable preconditions for almost any kind of economic activity. The sheer amount of resources dedicated to investment in these areas therefore already provides an important indication of a given government's commitment to improving the enabling conditions for economic expansion. By the same token, the specific prioritization and geographical allocation of infrastructure investments is also one of the major determinants of fundamental patterns of access to economic opportunities – even under the most permissive regulatory conditions, successful entrepreneurs are unlikely to emerge in areas where they cannot access supplies, market their products, or sustain functioning production facilities. The focus in this chapter in this regard is placed on economic infrastructure in a relatively narrow sense (with an emphasis on transport infrastructure and electricity), whereas distributional concerns in the delivery of public services (such as water and electricity provision at the household level) are discussed in greater detail in Chapter Five.

Second, the rehabilitation and expansion of infrastructure also in itself entails the creation of business opportunities at a scale rarely encountered elsewhere in most post-conflict settings. Due to the usually predominant role of public investment in this area, these opportunities are, moreover, particularly susceptible to political mediation. This creates substantial opportunities for constructive industrial policy interventions,[1] but also for the allocation of benefits to political insiders.[2] The modalities of the execution of public works and of the operation of infrastructural facilities thus merit particular attention from the vantage point of this study.

Addressing both of these angles, this chapter advances two main propositions. First, despite considerable differences in the amount of resources at their disposal and resulting divergences in the volumes of infrastructure spending, Frelimo and the MPLA both displayed comparable priorities in this regard. As such, significant investments were disproportionally concentrated around a number of specific, large-scale projects and focused primarily on geographical areas of particular political salience, notably the respective capitals. This contributed to an entrenchment of the economic advantages of the mentioned geographical areas rather than to a convergence of conditions throughout the national territory, as well as supporting the development of a narrow productive base dominated by a small number of projects featuring close political oversight.

Second, infrastructure spending itself was an important conduit for the deliberate promotion of accumulation within the ruling elite and among close associates, decisively contributing to the formation of a politically docile business class. This pattern undoubtedly

[1] Geroski 1990.
[2] Benitez, Estache, and Søreide 2010.

acquired more extreme proportions in Angola – in addition to the creation of opaque structures that enabled the extraction of funds at various points along the project cycle, prior wealth also enabled a certain group of politically connected domestic entrepreneurs to acquire stakes in contractors and service providers with sometimes advanced capabilities. In some instances, this allowed these actors to capture even large public works contracts, albeit in an environment still marked by the prevalence of foreign companies. In Mozambique, an even larger proportion of public works was executed by foreign firms, while a reliance on international financial assistance also frequently required adherence to specific procurement processes and thereby circumscribed ruling elites' discretionary leeway in the allocation of opportunities. Yet, construction and adjacent sectors still developed into an important arena for the pursuit of elite business interests in Mozambique, and accumulation opportunities were generated in sometimes creative ways. Efforts to ensure broad-based participation in the economic opportunities arising from reconstruction, notably in terms of local employment, meanwhile, did not enjoy much priority in either of the two cases.

The chapter consists of three main parts. The first section provides an account of historical patterns of infrastructure development in Mozambique and Angola, and of their respective situations at the beginning of the reconstruction process. The second section analyses ruling elites' priorities in infrastructure rehabilitation, both with regard to the type of projects that were prioritized and with regard to inequalities between different geographical regions. The third part of the chapter then focuses on the modalities of project implementation (examining the formal regulatory framework as well as its implementation in practice), in order to discern the extent and the mechanisms through which political control over access to business opportunities was exercised in this context. A brief concluding section draws together the chapter's principal findings and emphasises their significance in the context of the study's overarching argument, underlining how the prioritisation and implementation of infrastructure investments in Mozambique and Angola contributed to the pursuit of ruling elites' efforts towards "controlled expansion."

Historical patterns of infrastructure development and state of affairs at the beginning of reconstruction

An important historical pattern shared by Angola and Mozambique, with consequences in the domain of infrastructure that reverberate to the present day, was the considerably stronger rootedness of the colonial state in circumscribed costal enclaves, the development of which stood in contrast with a belated and weak penetration of the hinterland periphery.

Despite an extended Portuguese presence stretching back several hundreds of years, in the early 20th century only about a tenth of the Angolan territory was under effective Portuguese control.[3] An attempt to increase territorial coherence through infrastructure investments in the 1920s under Portuguese High Commissioner José Norton de Matos proved short-lived and had limited impact: By 1961, the country's paved road network still accrued to less than 400 kilometres, complemented by a rudimentary railway network built by private concessionary companies that occupied a quasi-governmental role in the periphery.[4] The situation was broadly similar in Mozambique, where, as Allen Issacman and Chris Sneddon have observed, "Portuguese authorities invested virtually nothing in the rural infrastructure of the colony."[5]

Only the final years of the colonial period witnessed a genuine change in this pattern, as Portugal attempted to justify its continued presence amid rapid decolonisation elsewhere through an aggressive promotion of colonial development. In Angola, an

[3] Newitt 1981, 48ff.
[4] Soares de Oliveira 2013, 169.
[5] Isaacman and Sneddon 2000, 600.

important consequence of this effort was an expansion of the paved road network to approximately 6,000 kilometres by 1972.[6] It was also during this period that large-scale electricity generation in the country was advanced though the construction of the Cambambe dam in Kwanza Norte province, which subsequently became instrumental for the provision of electricity in Luanda.[7]

In Mozambique, an even more ambitious scheme was realised in the form of the huge Cahora Bassa dam, the world's fifth-largest hydroelectric power installation at the time, at a cost of more than US$ 500 million.[8] However, the purpose of this project was primarily to generate electricity for export to South Africa, rather than for domestic consumption. At the time of independence, electricity was therefore still only available in the capital Lourenço Marques (renamed Maputo in 1976), drawing mostly on re-imports of electricity from the Cahora Bassa dam as well as on an array of municipal diesel generators, a coal-fired power station, and a few smaller hydro-electric installations.[9]

Meanwhile, the development of transport infrastructure in Mozambique was heavily focused on three West-to-East "corridors" that served to facilitate maritime access for Southern Africa's landlocked states (through the ports of Maputo, Beira, and Nacala), whereas improving connectedness along the country's long north-to-south axis was a secondary priority at best. The central elements of these transport corridors were railway lines and port infrastructure, supplemented by roads and, in the case of the Beira corridor, a pipeline. Up until 1976, when Frelimo closed the border with Rhodesia, its western neighbour had for example relied on the ports of Beira and Maputo for 90 percent of its international trade.[10]

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[6] Soares de Oliveira 2013, 170.
[7] Manuel, Marcelo, "Cambambe produz com força máxima", Jornal de Angola, 30 June 2017.
[8] Isaacman and Sneddon 2000; Isaacman and Isaacman 2013.
[9] Power and Kirshner 2018.
[10] Fair 1989.

Due to the rapid sequence of independence and the outbreak of civil war in both cases, neither Frelimo nor the MPLA had much of an opportunity to change these patterns prior to the end of conflict in 1992 and 2002, respectively. During the early post-independence years, Frelimo attempted to revitalise the use of Mozambique's transport corridors following ZANU's ascent to power in Zimbabwe, and from 1982 Zimbabwean troops were deployed to protect the Beira corridor against Renamo sabotage (in 1987, the same occurred with Malawian troops with respect to the Nacala corridor).[11] However, these efforts had only limited success, and the Zimbabwe-Maputo corridor was entirely shut down by Renamo.[12]

More generally, the period between 1982 and 1989 in Mozambique witnessed the destruction of 300 engines, 660 railways, 35 bridges, and 244 km of railway track across the country.[13] At the same time, efforts to enhance the density and connectedness of the national infrastructure grid were also hindered by the dearth of resources available for public investment, as well as the effective takeover of large parts of the territory by Renamo. A particular challenge to the rehabilitation of physical infrastructure in this context arose from the widespread use of landmines, accruing to an estimated two million by the end of the war.[14]

During the final years of the war, an attempt was made to strengthen the presence of the state at least in Frelimo-controlled areas though the posting of state officials into peripheral localities, whose responsibilities also comprised ensuring local road maintenance.[15] From a national vantage point, however, this initiative did not entail a major

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[11] Sidaway 1993, 242.
[12] Fair 1989, 21.
[13] Abrahamsson and Nilsson 1995, 118.
[14] Alden 1995, 187.
[15] Alexander 1997.

reversal of the generally weak development of the infrastructural grid, the focus on transversal corridors, and the imbalance between Maputo and the rest of the territory.

Similarly, the intensification of international donor commitment to Mozambique in the late 1980s initially did little to promote infrastructure rehabilitation. This was partly due to bureaucratic requirements of money being spent on "emergency" assistance, which justified the maintenance of expensive airlifts but not the rehabilitation of roads for the delivery of goods to the same locations.[16] As James Sidaway and David Simon observed shortly after the end of the war in 1993, "Mozambique is still largely a country of corridors that provide transit routes for its neighbours […] That this is not also so for Angola, is principally a reflection of the still completely inoperative state of the latter's railways."[17]

The latter observation with regard to Angola reflected UNITA's control over large parts of the South-East of the country, which left almost the entirety of the Benguela railway stretching all the way from the Atlantic coast into Zaire out of use, despite a 1989 attempt to rehabilitate the line following a joint decision of the South African Development Coordination Conference (SADCC).[18] Moreover, the shift of the country's principal source of income to the oil sector, with operations overwhelmingly located offshore, also left the MPLA leadership increasingly uninterested in projecting the presence of the state into the hinterland. As discussed in greater detail in Chapter Five, this neglect reflected a broader embrace of a "non-governmental" approach to the country's administration especially during the 1990s, by which important state functions were frequently discharged to private corporations and NGOs.[19]

The use of heavier and more advanced weaponry than in Mozambique further exacerbated the devastation: By the end of the war, 98 percent of Angola's bridges had

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[16] Hanlon 1991, 87.
[17] Sidaway and Simon 1993, 18.
[18] Noble, Kenneth, "Railroad in Angola to Be Revived", New York Times, 13 November 1989.
[19] Ferguson 2005; Messiant 2009; Soares de Oliveira 2013; Hodges 2003, 108f.

been destroyed, along with most of the road network and large parts of the social infrastructure (such as 60 percent of hospitals and 80 percent of schools).[20] The three railway lines, which had transported 9.3 million tonnes of freight per year at their pre-independence peak of 1973, were almost completely out of order, having experienced a drastic drop of freight volumes to 135,000 tonnes in 1994.[21] Similar to the Mozambican case, the presence of an estimated 10-12 million land mines also posed a particular challenge to physical reconstruction.[22] As observed by a team of World Bank consultants visiting the country during the early post-conflict years, Angolan infrastructure was in "a perilous state, negatively impacting both the quality of life of the people and the operation of almost all economic activities." Only 22 percent of rural and 46 percent of urban residents had even minimal access to safe water, urban road grids were "in a state of virtual collapse," and per capita electricity consumption was at about a tenth of the level of Zimbabwe, with 70 percent of consumption concentrated in Luanda.[23]

Priorities in post-war infrastructure rehabilitation

Against the backdrop of the described devastation, both countries embarked upon a more concerted rehabilitation effort upon the end of conflict, but did so under fairly different conditions.

In Mozambique, the very limited volume of domestically generated resources at the government's disposal implied a strong reliance on donor financing and a significant involvement of external actors in the planning process. An initial reliance on international emergency assistance notwithstanding, the situation in Angola was markedly different in this regard, as the availability of oil revenues and the rapid rise of emerging powers

[20] EIU 2008.
[21] Rocha 2002, 8.
[22] EIU 2008.
[23] PPIAF and the World Bank Group 2005, 2–3, 39.

(especially China and Brazil) as actors on the international stage allowed its government to access alternative financing mechanisms almost from the outset of the reconstruction process. MPLA leaders eagerly embraced this option, also in light of acrimonious conflicts with Western donors and the international financial institutions over the issue of petroleum revenue transparency.[24]

While the resulting modalities with regard to the execution of projects are considered in detail in the next section, this section examines the prioritization of rehabilitation measures against the backdrop of these diverging conditions as such. It demonstrates that, despite an unquestionable contrast between the two cases in terms of absolute investment volumes, they also exhibit important parallels with regard to the concentration of investments in particular geographical areas and their alignment to the needs of particular projects, which subsequently conditioned the developmental prospects of different regions and the structural composition of important sectors of the economy. These outcomes can to a considerable degree be attributed to disparities in the political relevance of different areas to the respective ruling coalition, as well as to the latter's' preference for particular types of business ventures over which it could exert greater political control.

In Mozambique, a clear focus area of infrastructure rehabilitation efforts were the historically important transport corridors, as well as a backbone of main national roads. As noted in the previous section, efforts to reinvigorate the transport corridors had already taken place during the final years of conflict, and were subsequently intensified. In 1986, various donors including the Netherlands, several Nordic countries, Italy, the European Economic Community (EEC), the African Development Bank (AfDB), and the World Bank, had pledged US$ 200 million for the rehabilitation of the Beira corridor, and some

[24] Hodges 2001, Ch. 6.

initial successes regarding increased cargo volumes were registered in subsequent years.[25] Indeed, investment volumes in the final years of conflict into these corridors were already at such a level that some observers raised concerns about "overinvestment" and about the government's inability to meet the recurrent costs implied by these projects.[26] As discussed below, this latter issue was partially addressed through the inclusion of private investors in public-private partnerships, with varying degrees of success in terms of the quality and financial sustainability of the infrastructure delivered.[27] Financing modalities aside, though, commentators also questioned the prioritization of the corridors in general, given the presence of arguably more urgent concerns from a domestic perspective, and criticized a failure to invest into rural feeder roads in particular.[28]

In a similar vein, a major Roads and Coastal Shipping (ROCS) rehabilitation initiative was set up in 1992, at a cost of US$ 1 billion. This comprised a substantial World Bank loan, but also relied on other donors as well as the Mozambican government's own revenues.[29] Despite criticism over the excessive cost and allegedly poor execution of the project, notably with regard to the inappropriateness of the technology employed,[30] it clearly did have an impact with regard to the quality of the road network, as indicated by an increase in the share of roads within the national network classified as "good" or "fair" from 25 to 56 percent between 1996 and 2002. In that regard, the initiative was also complemented by a Feeder Road Programme, which built on smaller pilot projects undertaken by several donors during the 1980s and allowed for the rehabilitation of

[25] Fair 1989, 22ff.
[26] Hermele 1990, 37.
[27] See Fischer and Nhabinde 2012 for an evaluation.
[28] Abrahamsson and Nilsson 1995, 162; Söderbaum and Taylor 2001.
[29] World Bank, "Memorandum and recommendation of the President of the International Development Association to the Executive Directors on a proposed credit of SDR 54.1 million to the Republic of Mozambique for a first roads and coastal shipping project," Doc. P-5752-MOZ, 6 May 1992. See also Hanlon 1996, 41.
[30] Flores, Luis (ed.), "Mozambique: Roads washed away, red ink remains" [interview by Carlos Cardoso and Joseph Hanlon with Roberto Chavez, former World Bank Resident Representative to Mozambique], Sustainable Transport, Fall 1998.

approximately 3,500 km of tertiary road between 1992 and 2000.[31] Still, the extent to which expenditure was focused on the rehabilitation of a relatively small number of main roads is apparent from the fact that both the overall size of the road network and the length of paved roads stagnated at low levels, the former amounting to between 26,000 and 29,000 km and the latter to around 5,000 km as of 2002.[32]

The result of these efforts was a network that mainly served the transit needs of Mozambique's neighbours as well as of export-intensive industries, while providing limited benefits to large swathes of the economically active population. As a 2011 World Bank assessment observed, "while some of the transport corridors are mostly functional in providing regional connectivity and connecting mining and key production centres to ports, Mozambique's connectivity among urban and economic clusters is quite limited, lacking linkages that connect parallel corridors to each other. With the exception of the recently finalized north-south National Road N1, the country has no (or has very limited) connection among the several west-east corridors, and developing full connectivity would require sustained and enormous investments over decades […]. Additionally, rural population accessibility to domestic (and eventually international) markets is an enormous challenge, and lags behind what is observed in the region."[33] The latter point is also corroborated by the fact that, based on a 2011 GIS analysis of the road network and of centres of population concentration, only about a quarter of Mozambicans were found to live within 2 kilometres of *any* road in the classified network.[34]

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[31] Republic of Mozambique, United Nations Development Programme, Swedish International Development Cooperation Agency, "Feeder Roads Programme (FRP) Final Evaluation", Maputo, 30 April 2000, p. 72. Available online at http://www.ilo.int/wcmsp5/groups/public/---ed_emp/---emp_policy/---invest/documents/ projectdocumentation/wcms_asist_7764.pdf, accessed 19 November 2018.
[32] Meeuws, René, "Mozambique – Trade and Transport Facilitation Audit", World Bank Working Paper 47785, August 2004, p. 24f.
[33] Domínguez-Torres and Briceño-Garmendia 2011, 1.
[34] Ibid., 12.

Some observers have attributed responsibility for these outcomes mainly to international donors.[35] This interpretation seems warranted with regard to the general prevalence of a fiscally conservative approach to infrastructure reconstruction, to which ROCS was among the few notable exceptions. The IMF in particular consistently prioritised the limitation of fiscal deficits rather than the mobilisation of resources for rapid rehabilitation, leading to accusations that the institution was "blocking rebuilding in Mozambique."[36]

A sole focus on the role of external actors is, however, less compelling with regard to the prioritisation of measures. For instance, while the World Bank's first transport sector review in 1988-89 did place emphasis on the need to rehabilitate transit routes to the sea and to build capacity for commodity transport by road, rail, and coastal shipping, it also explicitly recommended the building of local feeder roads to the railway system.[37] At least according to a later evaluation, "the 1989 sector report was a healthy *counterpoint* to the government's initial focus on the country's traditional transit function for the neighboring inland countries. As a result, the north-south transport system, which offered major opportunities for greater national integration, was made a higher priority."[38]

The African Development Bank has similarly emphasised the extent to which the prioritisation of the transport corridors was at a minimum endorsed, if not actively driven, by the Mozambican government, noting that "priority rehabilitation of crucial transport infrastructure was one of the major focus areas of Government of Mozambique's (GOM) 1987 Economic Rehabilitation Programme. To this end, rehabilitation of rail-road corridors which would restore the foreign exchange earning capacity of the GOM was accorded very

[35] Abrahamsson and Nilsson 1995, 162; Hanlon 1996, 39ff.
[36] Hanlon 1996.
[37] Landau 1998, 15.
[38] Ibid., 16. Emphasis added.

high priority."[39] In subsequent years, a similar pattern was replicated with regard to the prioritisation of connections for a number of export-oriented industrial "mega-projects," such as the Mozal aluminium smelter close to the capital Maputo (these projects are discussed in detail in Chapter Four).[40]

A similar reproduction and amplification of historical patterns could also be observed in the area of electricity infrastructure. As already noted, the Cahora Bassa dam had been built mainly with a view to exporting electricity to South Africa, entailing an unusual setup by which Maputo was supplied via a connection to a substation in the South African border town Komatipoort (i.e., without a direct connection within the country). Another unusual feature of the arrangement was that majority ownership of the operating company Hidroeléctrica Cahora Bassa (HCB) remained in Portuguese hands until 2007, when it was eventually acquired by the Mozambican government in a move that the President at the time, Armando Guebuza, talked up into a "second independence."[41]

For the initial years of post-war reconstruction, the evidence suggests that the expansion of access to electricity throughout the country did not enjoy particular priority. By 2010, national electricity provider EDM estimated domestic access to cover merely 16 percent of the population, with still more than 30 of the country's 128 districts featuring no electricity access at all (this was already a considerable improvement from the situation in 2005, when only 50 districts had been electrified). In terms of generation capacity, the Mozambican government did attempt to initiate a significant expansion starting in the middle of the 2000s, most notably through the construction of a second large hydroelectric

[39] African Development Bank, "Project Completion Report: Transport Programme, Republic of Mozambique", January 2005, p. 1.
[40] In the case of Mozal, infrastructure featured prominently in the negotiations over the initial investment commitment. In this context, the Mozal investors covered extra costs of up to US$ 15 million for publicly accessible infrastructure arising from a change of the project site, but this was subsequently deducted from the taxes the company would pay over the first eight years of its operations. See Emery et al. 2000, 121.
[41] Power and Kirshner 2018.

dam on the Zambezi river. As this project, named Mphanda Nkuwa, had previously been "rejected by Western donors and international institutions as poorly sited and environmentally suspect,"[42] the Mozambican government applied for a US$ 2.3 billion loan from China Exim bank in 2006 for this purpose. Despite initially positive signals and claims in 2010 that a consortium of firms had been mandated to implement the project (on the composition of this group, see the next section), the project however suffered further delays and construction had still not started in 2018.[43]

As of 2010, therefore, almost 90 percent of the electricity supplied through EDM were still acquired from HCB, while more than half of the electricity generated by the dam was still sold under contract to South Africa's Escom.[44] Domestic generation from sources other than HCB accounted for approximately seven percent (on the political dimension of this setup, see the next section below), while the small remaining amount was imported from South Africa, at a cost almost eight times higher than that of the HCB electricity.[45]

A large share of the electricity available in Mozambique was used by large corporate consumers, who also paid lower tariffs than household consumers. From the late 1990s onwards, the preponderance of the Mozal aluminium smelter (discussed in Chapter Four) was extreme in this regard, with this single facility accounting for more than three quarters of national electricity consumption in 2011.[46] Critics charge that especially at a more advanced stage of the reconstruction process, EDM was politically pressured to prioritise ensuring supply for this type of large commercial consumers, despite the technical

42 Alden, Chichava, and Roque 2014, 6. The dam had been "described by the United Nations as possibly the least environmentally acceptable major dam project in Africa", see Browne, Pete, "Debate Over Dams on Africa's Zambezi River", New York Times Green blog, 19 October 2009, as well as Isaacman and Morton 2012.
43 Hanlon, Joseph, "Confusion over Mphanda Nkuwa", Club of Mozambique, 27 August 2018.
44 EDM, "Sumário Estatistico 2010", available at https://energypedia.info/images/c/c1/Sum%C3%A1rio_Estatistico_2010.pdf, accessed 23 July 2018.
45 Ibid., see also Nhamire and Mosca 2014, 13.
46 Mahumane and Mulder 2015, 7.

problems that this implied due to the insufficient capacity of the grid and the prevalence of acute electricity shortages even in designated special economic zones.[47]

Besides this general pattern of concentration, as already noted above, access to electricity also remained highly stratified geographically: According to EDM, more than 60 percent of consumption in 2010 (excluding Mozal) was taking place in Maputo and the Southern region, each accounting for approximately half of this amount. In the capital, coverage even at the household level had reached a remarkable 97 percent, which sharply contrasted with virtually the entire rest of the country and specifically with the complete absence of electricity supply in several provinces that were geographically much closer to the Cahora Bassa dam, where the bulk of generation took place.[48] Since the mid-2000s, greater emphasis has been placed on rural electrification and the connection of all districts to the national grid,[49] but in practice this has in many instances been limited to a few facilities in the respective district capital.[50] As Marcus Power and Joshua Kirshner have recently summarised the current situation, "the costs and benefits of energy extraction and generation have […] been experienced unevenly both socially and spatially and despite plentiful energy resources, Mozambique faces the paradoxical situation of widespread and persistent domestic energy poverty."[51]

Overall, the advances in infrastructure reconstruction made over the course of the first decade-and-a-half after the end of conflict in Mozambique were relatively modest, which was to a large extent a direct function of the available financial resources. As an aid worker with years of experience in the country observed, among external funders at the

[47] Nhamire and Mosca 2014, 23.
[48] Baptista 2015.
[49] Mulder and Tembe 2008.
[50] Power and Kirshner 2018.
[51] Power and Kirshner Forthcoming; see also Nhamire and Mosca 2014.

time “there was also a strong bias towards social infrastructure […] most of the donors weren’t really into roads and electricity.”[52]

That aspirations for a more ambitious approach were present within the Frelimo elite was, however, apparent from the fact that as soon as potential sources of finance became available through the discovery of natural resource deposits and the rise of new lenders such as China and Brazil, they did pursue projects like the Mphanda Nkuwa dam, which Allen Isaacman and David Morton have described as “a critical component of Mozambique's state-led development strategy.”[53] This pursuit of large-scale, supposedly transformative projects has played out even more visibly in the area of transport infrastructure, with the huge Chinese-financed Maputo-Catembe bridge (one of Africa’s largest at a cost of US$ 725 million)[54] and a 74-kilometre ring road around Maputo (at an estimated cost of US$ 400 million)[55] as two recent signature projects.

With regard to the prioritisation of investments, in any case, the dominant dynamics during the period under consideration here were the emphasis on horizontal transit corridors, on the needs of a few large-scale investment projects, and on the capital Maputo, in many regards reproducing and indeed amplifying historical patterns. Exceptions from these patterns occasionally occurred when dictated by an immediate political rationale – as Chris Alden has noted, Frelimo’s campaigning for the 1999 elections for instance included “a series of well-timed disbursements (or promises thereof) of state largesse towards infrastructural development in regional centres around Mozambique”[56] – but those did not fundamentally alter the highly stratified impact of post-war infrastructure investments on conditions for economic activity across geographical areas and groups of economic actors.

[52] Interview, Maputo, December 2017.
[53] Isaacman and Morton 2012, 158.
[54] Macauhub, “Maputo-Catembe bridge delivered at the end of June”, 14 June 2018.
[55] Alden, Chichava, and Roque 2014, 11.
[56] Alden 2001, 75.

In Angola, financial constraints never played as much of a role as in Mozambique, and the amount of resources mobilized by the Angolan government in pursuit of an expedited reconstruction agenda was extraordinary by any standard. Overall, public infrastructure investment in the period between 2002 and 2014 accrued to an estimated US$ 93 billion;[57] during the mid-2000s, government spending in this area is estimated to have amounted to 14 percent of the country's GDP.[58] As further detailed in the next section, this spending spree was enabled not through traditional donor support, but rather through the mobilisation of alternative financing mechanisms, especially through the development banks of emerging powers China and Brazil. As former high-ranking Ministry of Finance official privy to the government's internal debates of the early post-war years pointed out, debt sustainability was not a major consideration in this period, as discontent with economic conditions was widespread – "we were more concerned about the sustainability of the country as such."[59]

A particularly striking element of the Angolan reconstruction effort was expenditure on the road network, which amounted to US$ 2.8 billion per year between 2005 and 2009.[60] By 2011, 58 percent of the classified network were still considered to be in poor condition and road density levels remained low by continental standards,[61] but the establishment of decent connectivity between major population centres was widely seen as a significant achievement (what is criticised is the cost and poor quality of the work in many instances, as discussed below).

[57] CEIC 2015, 11.
[58] Pushak and Foster 2011, 38. This includes new investment as well as operating expenses and maintenance - surprisingly, Angola's spending was unusually tilted towards the latter, which might however reflect blurry categorizations in areas such as road rehabilitation/upgrading.
[59] Interview, Luanda, July 2017.
[60] Pushak and Foster 2011, 18.
[61] Ibid.

Additional large-scale investments into transport infrastructure also took place with regard to the railways, comprising the rehabilitation of the country's three major railway lines connecting Luanda to Malanje, Lobito/Benguela to the interior of the country as well as to Zambia and the DRC, and Moçâmedes to Menongue. In the case of the Lobito/Benguela railway, this occurred within a broader transport corridor concept resembling the Mozambican cases discussed above, also featuring investments into port infrastructure and a refinery.[62] The economic impact of railway rehabilitation was, however, less significant than envisaged, due to continuing challenges regarding the actual operation of the costly facilities that left them out of use for extended periods.[63] Besides roads and railways, the government also invested heavily into airports, including a number of oversized provincial airports as well as one of the continent's biggest airports just outside Luanda (in addition to the rehabilitation of the capital's existing airport).[64]

In the context of transport infrastructure, a specificity of the Angolan case that should be noted is that logistics arrangements for the country's petroleum industry had, due to its overwhelmingly offshore location, never been severely affected by the civil war and continued to be managed largely independently from the rest of the national transport infrastructure grid after 2002. Starting in 1993, Sonangol subsidiary Sonils built up a large Oil Services Centre adjacent to the port of Luanda, which is focused on handling the supply of materials and equipment.[65] Crude oil for export, however, is not channelled through the country's ports, but rather pumped directly into tankers at the point of extraction. The port of Luanda itself did encounter major capacity challenges after 2002, but rather than to

[62] Duarte et al. 2015.
[63] Soares de Oliveira 2015b, 59; Duarte 2013.
[64] This project has suffered various delays and had not been completed at the time of writing. For a discussion see Banda, Honoré, "Luanda's costly new airport raises questions", The Africa Report, 18 November 2014.
[65] See Sonils, "History", available online at http://www.sonils.co.ao/history.asp, accessed 14 November 2018.

exports this was due to ballooning import volumes, with around 80 percent of national inbound cargo arriving at this port. Only in 2011, the government authorised the construction of a new commercial port outside Luanda and the expansion of the port of Lobito further South, making maritime transport one of the comparatively neglected areas of Angolan infrastructure rehabilitation.[66]

Increasing electricity generation capacity, in contrast, was a clear priority of the Angolan government, as indicated by the allocation of considerable funds to the finalization or rehabilitation of hydroelectric dams in Capanda and Cambambe and the addition of the country's largest one to date in Laúca, the latter alone at a cost of more than US$ 4 billion. After the end of the war, generation capacity swiftly grew from around 830 MW in 2003 to over 1,200 MW in 2006.[67] At the time of writing, it had reached more than 3,400 MW, with a stated government target of almost 10 GW by 2025.[68]

However, these investments into generation capacity were never matched by corresponding investments into the distribution grid. As a result, access to electricity remained limited, with an overall electrification rate of around 30 percent as of 2008.[69] In response to the difficulty of getting access to the grid in the first place, as well as to frequent power outages, Angolan businesses have invested considerably into reducing their dependence on the public electricity network, with more than two thirds of firms in the larger cities and more than 90 percent of firms outside Luanda owning their own generators. As of 2011, cumulative private generation capacity in Angola was estimated to amount to a remarkable 900 MW.[70]

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[66] PwC 2013, 28.
[67] Pushak and Foster 2011, 10.
[68] USAID, Power Africa Fact Sheet Angola, available online at https://www.usaid.gov/powerafrica/angola, accessed 24 July 2018. See also Ministério da Energia e Águas, "Angola Energia 2025: Visão de longo prazo para o sector éléctrico", available online at http://www.angolaenergia2025.com/sites/default/files/editor/ livro_angola_energia_2025_baixa.pdf, accessed 24 July 2018.
[69] Pushak and Foster 2011, 10.
[70] Ibid., 11.

Meanwhile, approximately two-thirds of national electricity consumption took place in the capital Luanda.[71] In this context, the initial investments into new generation capacity also did nothing to alleviate but rather exacerbated this stratified pattern of access: the Cambambe, Capanda and Laúca dams all fed into a northern transmission grid that allowed the power generated to be channelled to Luanda, but which was completely disconnected from the central and southern grids, which relied on significantly lower generation capacity and had a limited reach.[72]

The general neglect of the practicalities of expanding electricity supply arguably reflected in part a fascination with the immediately visible, huge structures involved at the generation stage. An engineer with first-hand experience in one of the hydroelectric dam projects for instance highlighted how the completion of the visually impressive dam itself had been prioritised over its actual integration into the network – "the deadline for the activation of the first turbines was strict, after that completion was much less closely monitored […] it was all for the image."[73] But this matter aside, the clear prioritisation of Luanda forms part of a consistent pattern that is hard to explain without reference to the particular political significance of the capital.

Looking at this latter aspect more closely, the geographical distribution of benefits from Angola's infrastructure spending spree is somewhat difficult to assess with precision – the country's Ministry of Finance has published a breakdown of (planned) public investment projects by province for every year but structured this reporting by source rather than by destination of expenditure, thus placing many large projects in a generic "central structure" category.[74] But there can be little doubt that investment has been concentrated in

[71] Ibid., 10.
[72] Ibid., 12.
[73] Interview, Luanda, June 2017.
[74] For example, for the year 2007 this category accounts for 67% of total investment and contains items such as Luanda's new airport. See Ministério das Finanças, "Demonstrativo da distribução do PIP pelo território nacional, 2007" on file with the author.

(or, in the case of investments into electricity generation and transmission, geared towards) the capital and other urban centres. As discussed in greater detail in Chapter Five, there is also an important pattern of socio-economic stratification nested within this distribution, with most investments disproportionally benefitting relatively affluent parts of the population rather than poor dwellers of the peri-urban *musseques*, which are by many accounts the population group living under the most precarious conditions in the country.

Taken together, as Ricardo Soares de Oliveira has noted, “there were major blind spots in the government’s sense of priority, with some sectors and some regions (with emphasis on Luanda) getting the lion’s share of spending. […] But even critics of the regime admit that when it comes to infrastructure, the record is partly positive, and certainly puts the infrastructure rebuilding record of the UN and the Western donors in places like Kosovo and East Timor to shame.”[75]

In terms of the scale and ambition of physical reconstruction efforts, there is hence a clear contrast between the two cases considered in this study, which was however ostensibly less a matter of intent than of sheer material possibilities. This latter point is highlighted by the emergence of central characteristics of the Angolan experience (notably in terms of the rise of large-scale prestige projects of sometimes questionable economic efficiency) in Mozambique during the 2000s, when some of the financing opportunities available to the MPLA also became accessible to Frelimo.

In terms of distributional dynamics in the allocation of infrastructure spending, in any case, Mozambique and Angola have more in common than initially meets the eye, even for the earlier reconstruction period preceding this convergence. As such, ruling elites in both countries reproduced and indeed amplified key geographical biases that had already prevailed during the colonial period, prioritising the creation of enabling conditions for

[75] Soares de Oliveira 2015b, 62.

economic activity in the capital and, especially in the Mozambican case, for a small number of large-scale, export-oriented projects. As will become clear in the following chapters, this prioritisation laid a material basis for an economic model centred on a small number of carefully managed projects featuring close political oversight, the benefits of which mostly accrued to constituencies forming the respective ruling parties' traditional bases of support or posing a significant potential for disruption. As the next section will show, the implementation of infrastructure reconstruction also complemented this process by serving as an important mechanism for politically controlled accumulation among a select group of emerging capitalists.

Modalities of project implementation and access to reconstruction opportunities

As noted in the introductory section of this chapter, the economic impact of infrastructure investment stems partly from the creation of enabling conditions for other economic activity, but partly also from the stimulus entailed in the realisation of projects as such. Especially in post-conflict settings, the scale of the resulting opportunities is such that the management of access to them warrants dedicated attention from the perspective of any political economy analysis.

In Mozambique, basic parameters for the execution of infrastructure projects were in many instances established by the fact that they were financed by donors or the international financial institutions, implying external oversight and frequent requirements regarding the adherence to particular processes. Especially in the initial stages of reconstruction and with regard to local-level infrastructure, this contributed to a fragmented and sometimes inchoate approach, with donors opting "to use NGOs to implement literally thousands of small projects to rehabilitate schools or health posts, sink wells, re-open roads, or repair bridges. Political expediency demanded visibility to create a 'climate' of reconstruction and reconciliation."[76] Between 1992 and 1996, almost US$ 100 million were disbursed to 35 NGOs, two bilateral agencies, and seven government agencies for the realisation of so-called "quick impact projects," including repairs of more than a hundred roads and bridges and the construction of more than 700 water sources.[77] The Mozambican government had limited influence on the selection and execution of these projects; according to one account, "between 1992 and the end of 1994, the reconstruction effort was led by the United Nations Office for the Co-ordination of Humanitarian Assistance rather than the Government."[78] As noted above, this latter interpretation was however less applicable with regard to larger-scale initiatives even at this early stage. More generally, while donors maintained an important role in infrastructure rehabilitation throughout the period under scrutiny, Mozambican leaders consistently played an important part in the governance and implementation of projects.

Besides state-led projects typically financed though multilateral development banks or bilateral donors, public-private partnerships constituted an important component of Mozambique's infrastructure rehabilitation efforts. One of the earliest and most prominent examples of this was the toll road from Maputo to Witbank in South Africa, which was built by a French-South African consortium and subsequently operated and maintained by the firm TRAC (Trans-African Concessions).[79] Another significant road concession was granted in 2010 to a firm called Estradas de Zambeze, which committed to investing into roads adjacent to a bridge named after former President Samora Machel in exchange for the right to levy tolls at the bridge.[80] Further prominent examples of PPPs in Mozambican infrastructure included the rehabilitation of a railway line through a collaboration of the

[76] Barnes 1998, 318.
[77] Ibid., 313.
[78] Fozzard 2002, 2.
[79] Alden 2001, 87; Mosse 2005.
[80] Nuvunga 2014, 155.

Mozambican government and an Indian company,[81] or the contracting out of water delivery in the five large cities of Maputo, Beira, Pemba, Quelimane, and Nampula to private firms.[82]

A source of controversy almost from the outset of the reconstruction process in Mozambique was the widespread reliance on foreign contractors, including but not limited to the context of PPPs. Already in 1995, even the World Bank's Resident Representative criticised that out of the US$ 1 billion mobilised for the ROCS programme, "only a tiny part will stay in the cashboxes of local companies and the pockets of workers here."[83] Initially, the contractors active in Mozambique were very largely from South Africa, Portugal, and Italy, to be joined by Brazilian and Chinese firms in the first decade of the new century. By 2006, these foreign firms still largely dominated the market for large-scale works: while a study of the construction sector identified 270 Mozambican companies, only 5 percent of these firms were found to be capable of even bidding for projects "requiring high project finance."[84]

In part, the dominance of foreign firms was undoubtedly supported by donors' tendency to tie financial assistance to the selection of contractors from their own country, a practice that intensified with the entry of Chinese firms in the 2000s. As a 2006 analysis observed, "it is clear that the old paradigm of tied aid still rules: China protects their businesses, whereas the West protects theirs, and this is carefully managed through the setup of various support programs and financing facilities. A good example is the recent tender for the Zambezi bridge (US$ 80 million investment costs), which will be financed

[81] Bosten 2006, 3.
[82] UNCTAD 2013. More generally on Mozambique as a paragon of the privatization of core state functions, see Hibou 2004.
[83] Hanlon 1996, 40.
[84] Sutton 2014, 128.

solely through grants from Sweden, Italy and the EU, and where only companies from the European Union could participate in the tender."[85]

Even where access to opportunities was not formally limited in this fashion, though, foreign companies frequently prevailed over local competitors simply on account of their superior capacity and experience. Against this backdrop, a forceful framework for the promotion and preferential treatment of domestic firms would have been required to significantly alter this pattern, but support for such an approach was lacking not least among Frelimo leaders – as Prime Minister Pascoal Mucumbi argued in 1996, "the country could not wait just because national entrepreneurs are weak and lack capital."[86] A (heavily donor-supported) attempt to grant preferential treatment to local firms in the tertiary road sector in the context of a "Local Road Construction Industry (LRCI)" initiative notwithstanding,[87] provisions for the promotion of local firms did not feature prominently in the legal framework for procurement during the early years of reconstruction (which was in any case rather rudimentary, as discussed below).

Only in the early 2000s, systematic preference margins of up to 15 percent for Mozambican firms were established in the course of reforms of the relevant legislation,[88] but the participation of local firms in larger-scale projects remained difficult due to exigent legal requirements regarding proof of track record and of technical and financial capacity. According to an International Growth Centre analysis, these requirements amounted to "an

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[85] Bosten 2006, 7. On the modalities of Chinese-financed projects, see Wethal 2018.
[86] Hanlon 1996, 105.
[87] Republic of Mozambique, United Nations Development Programme, Swedish International Development Cooperation Agency, "Feeder Roads Programme (FRP) Final Evaluation", Maputo, 30 April 2000, p. 51. This scheme also entailed the provision of training with regard to commercial operations and participation in competitive tenders for 49 domestic contractors.
[88] Sutton 2014, 130; Maugeri, Nhabinde, and Quintella 2015, 34. More generally, the 2001 Regulation of Activities of Public Works and Civil Construction Contractors also differentiated between Mozambican and foreign companies in various respects, see Decree n° 29/2001 of 11 September. On the current legal framework for public works procurement, see ACIS n.d.

additional distortion to the market. […] The ultimate effect is market concentration and segmentation, with domestic companies being relegated to the low-end of the market."[89]

One attempt to capture some of the opportunities arising from infrastructure rehabilitation locally was made through a network of state-owned firms called Empresas de Construção e Manutenção de Estradas e Pontes (ECMEPs). These entities were created out of district-level labour brigades initially set up with the support of the International Labour Organisation (ILO), with the aim of creating opportunities for members of "all conflict-affected groups."[90] Focusing mostly on labour-intensive projects at the provincial and district level (especially in the context of the Feeder Road Programme), the ECMEPs provided an estimated 5,000-6,500 full-time jobs during the late 1990s[91] and still employed 5,000 workers (2,000 of which on a permanent basis) in 2007.

This attempt to simultaneously advance investments into local-level infrastructure and domestic employment generation stood out in a context where physical reconstruction generally failed to produce any transformative impact on the country's formal labour market, with the share of the national workforce employed in construction staying at a fairly constant and low level of around 1.5 percent throughout the mid-90s and 2000s.[92] In this wider setting, the ECMEPs model however only had a limited impact and, in any case, did not prove financially sustainable in the longer term – having racked up debt to the tune of 145 million Meticais (equivalent to more than US$ 5 million), the firms were unsuccessfully slated for privatisation in 2008 and eventually liquidated in 2013.[93]

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[89] Maugeri, Nhabinde, and Quintella 2015, 34–35.
[90] ILO 2000, 28.
[91] Bruzelius, Bentall, and Rocha Lobo 2000, 22.
[92] Jones and Tarp 2013, 26.
[93] Macauhub, "Mozambique: Igepe prepares privatisation of road and bridge construction and maintenance firms", 10 December 2008; AIM, "Mozambique: Two state construction companies liquidated", 23 October 2013.

Contrasting with the construction sector's limited relevance for Mozambican workers, and despite the difficulty that Mozambican firms were generally facing in accessing large-scale infrastructure rehabilitation projects, the country's ruling elites did manage to turn the sector into an important arena for privileged accumulation and patronage distribution.

One channel through which this occurred was through outright corruption in procurement processes, with officials leveraging their gatekeeper roles in the context of procedures that were often unclear and opaque. As a 2002 World Bank assessment observed, "Mozambique has no adequate legal and regulatory framework for procurement. Present legislation concerning procurement of goods and works is fragmented into various pieces of legislation both old and new, each of which is inadequate to guarantee an efficient implementation of public procurement."[94]

This situation created conditions conducive to corruption especially at the intermediate and lower levels of the state bureaucracy – as the World Bank assessment further noted, "enforcement [of anti-corruption and anti-bribery laws] seems to occur when high level political pressure or embarrassment is imminent. High level officials of key ministries are likely to be held accountable, but low level agents are unlikely to be sanctioned or held accountable to high standards." This was deemed to have been somewhat reined in in donor-financed projects due to the role of financing agencies as "de facto third party monitors and enforcement agents," but the report warned that "once external aid diminishes, bidders would find [it] very difficult to report on bribes and solicitation extortion."[95] A 2005 assessment for USAID similarly opined that "existing

[94] World Bank, "Mozambique Country Procurement Assessment Report, Volume I: Summary and Recommendations", 16 May 2002, p. 6. Interestingly, the Bank nevertheless allowed procurement to proceed in accordance with these local rules, rather than insisting on the application of rules specifically stipulated in its financing agreements, see Landau 1998, 41.

[95] World Bank, Mozambique Country Procurement Assessment Report, Volume I: Summary and Recommendations, 16 May 2002, p. 13-14.

practices, to the extent that they have not fallen under the purview of procurement guidelines of donors, have tended to rely excessively on discretionary (and changing) powers of the public sector, making the process easy prey of corruption and inefficiencies."[96]

This pattern of lower-level corruption is consistent with how other observers have interpreted the "deixa andar" (roughly translated, "letting it roll") approach often described as characteristic of Mozambique's first post-conflict decade under President Joaquim Chissano. As will also be apparent in the following chapters, this period was marked by a pattern of relatively loosely monitored rent-seeking within the boundaries of the party and its core supporters, although almost invariably excluding Renamo from the spoils of peace.[97]

Instances of grand corruption at the highest echelons of the administration were less salient during this period, but there were important exceptions in this regard across sectors and also in the area of infrastructure investments. For instance, the British construction firm Mabey & Johnson admitted having paid bribes accruing to 286,000 pounds (US$ 450,000 at the exchange rate at the time) to Carlos Fragoso, the Director of Roads and Bridges in the Ministry of Public Works, as well as to other officials in the road sector, between 1997 and 2000.[98]

The prominence of such cases increased towards the end of the period considered in this study with the availability of new financing opportunities through resource-backed loans. Brazilian firm Odebrecht was for example accused of having paid US$ 900,000 in bribes between 2011 and 2014 for public works projects, notably including an ill-fated US$

[96] Management Systems International, "Corruption Assessment Mozambique: Final Report", 16 December 2005.
[97] Macuane, Buur, and Monjane 2017; Weimer, Macuane, and Buur 2012; Harrison 1999.
[98] Leigh, David, and Rob Evans, "British firm Mabey and Johnson convicted of bribing foreign politicians", The Guardian, 25 September 2009; AIM, "British company bribed senior official", 27 September 2009.

200 million airport project in Nacala.[99] A study on the costs of corruption to the Mozambican economy, conducted jointly by Mozambican watchdog NGO Centro de Integridade Pública and Norway's Christian Michelsen Institute and considering the period of 2012-2014, identified construction as one of the sectors exhibiting an extreme ratio of estimated costs of corruption to economic value added. According to this analysis, the excess costs resulting from frequent over-pricing and kick-backs, project allocations without tenders, etc., likely amounted to about two-thirds of overall project value.[100]

At least equally importantly, various entrepreneurs with more or less obvious political connections established themselves in the construction sector and participated in public work projects, or otherwise positioned themselves to capture opportunities arising from the physical reconstruction process. As a civil society representative observed, "until about 2010, the elite focus was very much on infrastructure, public buildings, construction more generally. […] New enterprises emerged in that period, it was the political elite who created them."[101]

One of the most visible players in this regard was Insitec, a company widely seen as close to Armando Guebuza, the country's president between 2006 and 2014 (Insitec has denied that Guebuza has a financial interest in the firm, but its young owner Celso Correia was widely regarded as "Guebuza's spearhead" and "protégé" after playing an instrumental role in orchestrating the Mozambican take-over of the Cahora Bassa dam).[102] In 2011, Insitec acquired CETA, a formerly state-owned construction company that had grown into the country's largest domestic player in the sector following a 1999 investment through a

[99] Rossi, Amanda, "O aeroporto fantasma feito pela Odebrecht em Moçambique, que on BNDES financiou e tomou calote", BBC News Brasil, 27 November 2017.
[100] CIP & CMI 2016, 38.
[101] Interview with Fátima Mimbire, Centro de Integridade Pública, Maputo, November 2017.
[102] Africa Confidential, "Taking a stake in economic development", 9 September 2011, see also Hanlon and Mosse 2010.

vehicle initiated by the Commonwealth Development Corporation.[103] Moreover, the firm was involved in prominent infrastructure-related ventures including the Mphanda Nkuwa dam, where it participated via its shareholding in electricity company Energia Capital.[104] Energia Capital, in turn, held 35 percent of the Mphanda Nkuwa project, in collaboration with Brazilian firm Camargo Corrêa (also 35 percent) and state-owned electricity provider EDM (30 percent). Similarly, the firm under somewhat unclear circumstances acquired a majority shareholding in the concession for the Corredor de Desenvolvimento do Norte (CDN), which operated the Nacala railway.[105] Guebuza himself, who had been Minister of Transport between 1987 and 1994, also acquired several direct participations in transport-related infrastructure early on, for instance in the companies managing the ports of Beira and Quelimane and in TRAC, the firm operating the Maputo-Witbank toll road.[106]

More generally, the public-private partnerships discussed above, which were governed on a case-by-case basis in the absence of a dedicated regulatory framework until 2011,[107] frequently involved the participation of members of the ruling elite or closely associated individuals. In the Estradas do Zambeze PPP, this for example came in the form of a stake held by Infra Engineering Mozambique, S.A.R.L., a firm involving, among others, former Minister of Tourism and Minister of Youth and Sports Fernando Sumbana, former director of the investment promotion agency CPI Fernando Sumbana Júnior, Armando Guebuza's brother-in-law and former Minister of Defence Tobias Dai, and prominent Frelimo figure General Raimundo Pachinuapa. This PPP arrangement came under particular criticism for the transfer of toll collection at the Zambezi bridge into the

[103] Sutton 2014, 132–133; Weimer, Macuane, and Buur 2012.
[104] The other shareholders of this firm were the Gabinete do Plano de Desenvolvimento da Região do Zambeze and Sociedade de Gestão Integrada de Recursos, both effectively state-owned entities.
[105] Africa Confidential, "Taking a stake in economic development", 9 September 2011. Regarding the circumstances of the acquisition, the article notes that "Insitec bought the concession on credit, we hear, never developed it or repaid the debt and resold some of its shares at a profit to Brazilian mining giant Vale earlier this year."
[106] Mosse 2005, 432.
[107] Fischer and Nhabinde 2012, 2.

hands of the mentioned firm, reportedly depriving the national road fund of a major source of revenues.[108]

Another area that developed a particular notoriety for PPP deals with ruling elite participation starting in the early 2000s was electricity generation, as EDM concluded an array of electricity procurement contracts from domestic producers without public tender. These contracts entailed a considerable price premium compared to other sources, while producers have reportedly simultaneously benefitted from privileged access to discounted natural gas as a crucial input. Firms that have benefitted from these arrangements include a company run by the former minister of mineral resources and energy, Castigo Langa, as well as the Whatana Investment Group run by Graça Machel, the widow of former President Samora Machel.[109] Electrotec SA, a firm partly owned by Armando Guebuza via his Intelec holding, was also involved in the construction of a gas power generator close to the South African border in partnership with EDM.[110]

In summary, in addition to the extraction of funds by gatekeepers in the governance of project implementation, the capture of business opportunities arising in the process of infrastructure rehabilitation was also an important conduit of post-conflict capital accumulation in Mozambique. Rather than constituting a more politically autonomous social group, the actors able to access these opportunities typically came from within the country's ruling elite or from its circle of close associates. There were undoubtedly some exceptions to this pattern,[111] and the fact that enterprises were elite-owned or politically connected also does not necessarily indicate that they were engaged purely in rent-seeking

[108] CIP 2012; Nuvunga 2014, 155.
[109] Nhamire and Mosca 2014, 45ff.
[110] Sutton 2014, 134; Nhamire and Mosca 2014.
[111] As a 2005 report compiled for USAID put it, "the private sector includes politically connected operators who enjoy privileged access to government contracts, but also non-incumbents who wish to enter the market on an equal footing and in a transparent manner." See Management Systems International, "Corruption Assessment Mozambique: Final Report", 16 December 2005, p. 33.

activities – as Joseph Hanlon and Marcelo Mosse have argued, the case of Insitec can for instance also be interpreted as a "prime example of the way dynamism and elite links have mixed," suggesting that the upscaling of accumulation opportunities and simultaneous centralisation of rents that occurred under the Guebuza presidency may actually hold a certain developmental potential (see also Chapter Six).[112] But that access to the business opportunities arising from physical reconstruction in Mozambique was to a considerable degree subject to political control, and that this was an important mechanism driving the rise of a group of domestic capitalists that were closely related to the party in power, should be beyond doubt.

Similar patterns were observable in the implementation of infrastructure investments in Angola, if anything reaching more extreme proportions. As in Mozambique, important framework conditions for the realisation of projects were determined by their underlying financing arrangements, although with a different inflection in this case. As noted, the spectacular reconstruction effort that took place in Angola critically relied on the mobilisation of financing especially through the development banks of China and Brazil, as well as on other mechanisms that offered alternatives to traditional donor support. The former issue first gained real salience in 2004, when the Chinese government extended a credit line of US$ 2 billion to Angola via China Exim-Bank, at a time when the impact of rising oil revenues had not yet fully kicked in and when Angolan leaders also found it unexpectedly difficult to mobilize external funding for reconstruction due to Western donors' insistence on credible revenue management reforms.[113] Further credit lines via China Exim bank were extended in 2007 and 2011, accruing to US$ 7.5 billion overall by

[112] Hanlon and Mosse 2010, 10.
[113] Soares de Oliveira 2011, 300ff.

2013.[114] In addition, several smaller loans were provided through outfits such as the China Construction Bank (CCB).[115]

The general logic of these loans was to provide funding for infrastructure projects to be undertaken principally by Chinese companies, under somewhat concessional terms compared to commercial alternatives (although typically much less so than sometimes assumed by observers who see them as politically motivated pawns in China's quest for resources).[116] The executing companies were paid directly through Exim Bank (after approval of invoices by the Angolan Ministry of Finance), without the money entering into the Angolan financial system. Angola's debt to Exim Bank was in turn serviced through the delivery of pre-agreed oil shipments from Sonangol, reportedly valued at the current spot price.[117]

A slightly different model was also offered by Brazilian development bank BNDES, which extended approximately US$ 4 billion in loans to Angola during the period under scrutiny,[118] but with repayment in this case not occurring in oil. This latter model was, in fact, not fundamentally different to the financing facilities offered by the export banks of many industrialized countries in support of the overseas activities of national companies, albeit typically at a less significant scale.[119]

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[114] Corkin 2013, 78–79.

[115] Levkovitz, McLellan Ross, and Warner 2009. A 2009 US$ 1 billion loan by the China Development Bank (CDB) is also sometimes quoted in this context, but this funding was reportedly directed towards agricultural development rather than infrastructure, see Vines et al. 2009, 57; Corkin 2011b. By 2016, oil-backed loans to Angola were estimated to have accrued to US$ 21 billion overall, see Hwang, Bräutigam, and Eom 2016. As highlighted in this contribution, this figure is subject to considerable debate – the amount quoted here is the estimate of the China Africa Research Initiative at Johns Hopkins University, while the amount recorded by AidData for the same period is for instance more than US$ 10 billion lower.

[116] For a detailed discussion and comparison of these loans' terms to other financing facilities, see Corkin 2013, Ch. 5.

[117] This feature of the Exim loans, which was advantageous to the Angolan state in a period of generally rising prices, distinguishes it from earlier commercial oil-backed loans as well as the CIF deals described below, where oil cargoes were usually valued at a fixed price.

[118] Expansão, "Odebrecht recebeu 79% dos fundos destinados a Angola", 4 November 2016.

[119] An interesting situation in this respect occurred in 2016, when the Angolan government changed a number of contracts with local subsidiaries of Portuguese firms in such a way that they would be eligible for credit by Portuguese export financing agency COSEC, see Rede Angola, "Governo altera contratos com construtoras portuguesas para inclusão em linha de crédito", 21 September 2016.

In addition to its borrowing from official development banks, Angola also accessed substantial credit lines through the Hong Kong-based China International Fund (CIF), in an arrangement reminiscent of the oil-backed special purpose vehicles through which the Angolan state had financed itself during the conflict years. CIF was an ostensibly private venture, and both Chinese and Angolan officials have repeatedly stressed that its activities were separate from those of the Chinese policy banks. The degree to which its activities were aligned with Chinese state interests is indeed in doubt, as the Chinese government reportedly admonished some potential business partners to refrain from working with the firm and also launched several investigations into CIF's activities, although those apparently did not have any consequences.[120]

The highly politicized character of CIF's diverse business interests in Angola is, in any case, hardly in question and has attracted the attention of several investigative writers as well as of the US-China Economic and Security Review Commission, whose findings cannot be replicated in all of their complexity here.[121] For the present purpose, what is relevant is that besides its own private investments in the country (also discussed in Chapter Four), CIF also procured significant commodity-backed commercial credit which it passed on to the Angolan government – or, more precisely, to a parallel structure managed through Sonangol and the Gabinete de Reconstrução Nacional (GRN), a purpose-created unit within the Presidency under the leadership of his confidant General Manuel Hélder Vieira Dias "Kopelipa", a central figure in Angola's post-war political economy.

Particularly significant in this context was the provision in 2005 of US$ 2.9 billion to fund a new airport, a railway, two highways, and a drainage and housing project in Luanda. Indeed, some of the most visible and well-known examples of state-led

[120] Soares de Oliveira 2015b, 190ff.
[121] Burgis 2015; Levkovitz, McLellan Ross, and Warner 2009.

reconstruction such as the upgrading of the Lobito transport corridor or the vast Kilamba Kiaxi housing development outside Luanda (see Chapter Five) occurred under the auspices of the GRN, although not exclusively with CIF financing.[122] CIF's typical modus operandi within these projects was to act as a funder and broker rather than a contractor, with the actual construction work being executed by other Chinese firms, including SOEs such as CITIC.[123]

Private capital injections in the form of foreign direct investment and public-private partnerships played a limited role in the rehabilitation of Angola's infrastructure, although there was a noteworthy exception in the form of the southward expansion of Luanda (initially known as Luanda Sul, nowadays usually referred to as Talatona). Initiated already in 1994 through a contract for "self-financed urban development" between the Provincial Government of Luanda and Odebrecht Serviços no Exterior (OSEL), a purpose-created entity belonging to Brazil's Odebrecht group,[124] this project effectively proceeded as a public-private partnership in which Odebrecht developed key infrastructure while private investors acquired land titles for adjacent real estate developments. This resulted in the construction of a new urban agglomeration featuring mostly high-end, gated condominium-style accommodation and commercial real estate, some of which fetched remarkable rents from its predominantly foreign tenants during the boom period up to 2014.[125]

At a general level, an important consequence of the reliance on the described financing mechanisms was that many projects necessarily featured a strong involvement of foreign firms. In effect, a large segment of public works in Angola turned into an almost

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[122] Duarte et al. 2015.
[123] Burgis 2015, 98ff.
[124] Gomes, Miguel, "Antônio Daiha Blando: 'Em Angola, não ha corrupção de alto nivel'", Rede Angola, 23 November 2015.
[125] Power 2012; Tomás 2015. See also Capai, Eliza, and Natalia Viana, "Desconstruindo Luanda Sul", A Pública, 7 March 2016.

completely "closed deals environment,"[126] in which market competition between private firms occurred only within highly circumscribed boundaries. One indication of the close linkage between business and politics in this sector was the dynamic of competitive commercial diplomacy unleashed the forceful entry of Chinese firms into a construction sector hitherto dominated by Portuguese and Brazilian firms, which sometimes built upon a longstanding presence in the country.

Brazilian activities in this regard were particularly noteworthy. As a 2010 market analysis by the Brazilian Association of Architects (Associação Brasileira dos Escritórios de Arquitetura, ASBEA) stated bluntly, "support by BNDES and Banco de Brasil is indispensable for Brazilian enterprises to regain their competitiveness against the Chinese competition [in Angola]."[127] Besides a provision of funding for projects with Brazilian involvement, which in many respects resembled the Chinese approach, Brazil also hoped to capitalize upon its bilateral political relationship with Angola. Reflecting upon the decision of two Brazilian firms to reduce their Angolan operations in early 2012, the Chargé d'Affaires at the Brazilian embassy noted that "government support to the initiatives of Brazilian engineering firms is fundamental for the amplification of our presence in this country. […] Measures in the wake of political support will certainly make the difference that will put us on par with the efforts of other countries […] that, in coordinated and aggressive fashion, have gradually gained terrain and improved their entrepreneurial and commercial ties with Angola."[128]

While Angolan authorities have sometimes been accused of too easily approving projects proposed by foreign companies that came with pre-arranged financing solutions,

[126] Hallward-Driemeier and Pritchett 2015.
[127] ASBEA 2010, 9, author's translation.
[128] Cable from Brazilian embassy in Luanda to Brazilian Ministry of External Affairs, No. 00369, 1 March 2012, p. 5. The Brazilian diplomatic cables cited in this chapter have been made available to the public by Brazilian newspaper A Pública, see http://apublica.org/2016/05/documentos-dos-governos-de-angola-e-do-brasil/, accessed 25 July 2018.

but ultimately used public funds,[129] there is also clear evidence of a very conscious and deliberate exercise of political discretion in awarding contracts for large-scale projects. A striking illustration is provided by a Brazilian diplomat's account of a November 2011 meeting between the Brazilian Minister of Development, Industry and Foreign Trade with Carlos Feijó, the head of the civilian branch of the Presidency (Casa Civil) at the time, during which Feijó explained how the Angolan government intended to choose contractors for the construction of three new hydroelectric dams: "He pointed out that there would be public bidding, but that it was the government's intention to be able to guarantee that they would go to consortia from three different countries (one per country, in order to avoid concentration), one of which the government would like to be Brazil (another one could be China, perhaps, without mentioning a third). He also pointed out that although Odebrecht had a traditional and important presence in the country, and was here during the most difficult moments, he had the hope that perhaps a consortium of Brazilian firms (including the referred one) would present itself for the dam projects."[130] While the specificity of this request is remarkable, the general approach articulated by Feijó is consistent with a broader point stressed by analysts of Angola's foreign diplomatic and commercial relations, namely the government's desire to pragmatically leverage a diverse set of partnerships, as opposed to any specific affinities or antipathies towards particular countries or institutions.[131]

From the perspective of the foreign firms involved in Angolan infrastructure and public works projects, the principal consequence of this approach was that while some of them could count on privileged access to some highly lucrative business at least during the boom years, they ultimately remained in a precarious position in which they were "better

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[129] Søreide 2011a, 3. See also Jensen 2018, 23ff.
[130] Cable from Brazilian embassy in Luanda to Brazilian Ministry of External Affairs, No. 1900, 28 November 2011, p. 3.
[131] Soares de Oliveira 2015b, Ch. 5; Corkin 2011b; Ferreira 2008.

thought of as resilient courtiers than as consequential actors in their own right."[132] An indication of the limited leverage of these firms is provided by the sheer volume of payment arrears to the sector that the Angolan government was able to accumulate at a certain time (allegedly accruing to about US$ 9 billion in 2009, later reduced to US$ 4-5 billion),[133] as well as the fact that a firm like Portugal's Mota-Engil accepted significant payments in Angolan government bonds in 2016, at a time when these assets were arguably less than desirable.[134]

Meanwhile, although undoubtedly contested, the sector could hardly be described as competitive in the conventional sense of the term, where firms could have enhanced their business prospects by distinguishing themselves on market criteria such as price or quality. Besides the explicit limitations of many large project tenders to firms from specific countries of origin, and a 2011 analysis of public works contracts more generally found that 90 percent of projects were awarded by direct adjudication rather than competitive tender.[135] Even where the latter occurred, industry representatives routinely complained about a lack of transparency – according to ASBEA, "in the perception of many enterprises, the time frames between announcements and the closing of inscriptions are short, and the relevant technical information required for the elaboration of competitive bids is not readily available to the general public."[136] A dedicated legal framework for procurement was enacted in 2010,[137] but in 2016 a business representative from a European country still opined that "one should forget about the idea of competing for public tenders here," and that firms should rather focus on building long-term partnerships and inserting themselves

[132] Soares de Oliveira 2011, 304.
[133] Søreide 2011b, 2. This includes arrears to domestic providers.
[134] Macauhub, "Mota-Engil Group paid in government bonds in Angola", 31 August 2016.
[135] Søreide 2011b.
[136] ASBEA 2010, 10.
[137] Jensen 2018, 25. The 2010 law also established a National Procurement Service, which however only became genuinely operational in 2015.

into projects at very early stage.[138] An executive of a large foreign engineering firm similarly noted that public works projects "are being distributed," and that it was well known that some of the participating firms "are owned by certain people."[139]

The latter remark points towards the domestic political economy dimension of this situation, which is particularly relevant from the perspective of this study. The concentration of considerable discretionary power in purpose-created units close to the presidency and under direct control of confidants, most strikingly manifested in the GRN, has already been noted. Interestingly, to the extent that this approach was publicly justified, this was done in terms of the importance of maintaining close oversight of the management of funds against the backdrop of distributional conflicts at the elite level, which erupted shortly after obtaining the first major Chinese credit lines in 2004.[140] Noteworthy in this context was a confrontation between Carlos Feijó and António Van Dunem ("Toninho"), Secretary of the Council of Ministers at the time, which some local media hyperbolically described as potential trigger of a "new civil war." The visibility of this jostling was such that the Chinese secret services reportedly provided the Angolan Presidency with a list of politically connected Angolan firms suspected of illicitly benefitting from Chinese-financed projects, and that the Angolan Minister of Finance felt a need to personally assure the Chinese of the proper use of the funds during a December 2004 visit in Beijing.[141]

How specifically these events were supposedly linked to the creation of the GRN remains rather unclear, as responsibility for handling the Chinese Exim Bank loans remained with the Ministry of Finance and was hence not affected by this change. Although undoubtedly reinforcing the centralization of control over the allocation of business opportunities, there is also no evidence suggesting that the creation of the GRN actually

[138] Interview, Luanda, October 2016.
[139] Interview, Luanda, June 2017.
[140] Soares de Oliveira 2015b, 57.
[141] Ferreira 2008, 312.

led to increased transparency or impartiality in the selection of contractors. Complementing the lack of formal procurement rules for much of the period under scrutiny already noted, a Portuguese executive interviewed by Lisa Åkesson and Camilla Orjuela claimed that is was impossible for contractors in Angola to even submit a bid in a public tender without committing to "share the profit" with "the people responsible for the competition,"[142] highlighting the rent-seeking opportunities associated with positions in these structures.

What the Angolan setup for the governance of infrastructure projects did promote were tensions within the bureaucracy and sometimes contradictory decisions, notably between the GRN and the Ministry of Public Works, which was also rattled through a merger with the Ministry of Urbanisation in 2008. While reportedly creating uncertainty for contractors and hampering the execution of projects, this move was interpreted as an attempt to further strengthen the Presidency vis-à-vis potentially powerful ministries.[143]

At face value, the promotion of local participation in publicly funded construction projects was not a priority objective advanced through these governance structures, the existence of a "Promotion of Angolan Private Entrepreneurs Law" granting Angolan firms preferential treatment in public tenders since 2003 notwithstanding.[144] Provisions for a 30 percent share of local contractors in projects financed through the Chinese Exim Bank loans could be interpreted as evidence of certain efforts in this respect, but there are strong indications that this rule was not implemented consistently, leading to "numerous instances of dissatisfaction and protest."[145] One of Lucy Corkin's interviewees at the Ministry of Finance openly indicated that the quota was only enforced if it "did not compromise project deadlines,"[146] while a former official interviewed for this study noted that "the Chinese

[142] Åkesson and Orjuela 2017, 14.
[143] Corkin 2011a, 44. See also Africa Confidential, "The cement boom", 29 May 2005.
[144] Sogge 2009, 19; Corkin 2011a.
[145] Ferreira 2008, 312.
[146] Corkin 2013, 101.

were admittedly not very committed" to local subcontracting, and that the ministry "did not have the instruments to enforce requirements."[147] As early as 2005, local press reported that several Angolan leaders were "disgusted" by Chinese firms' exclusion of Angolan partners in their projects, and Angolan politicians raised concerns about the negative effects of the lack of a more exigent local content regime in construction especially on local employment.[148]

The latter issue gained particular salience with the advent of Exim Bank-financed projects, which were explicitly exempt from the local employment requirements applied to private investment projects (see also Chapter Four).[149] While the latter required at least 70 percent of workers in a given project to be Angolan,[150] all indications are that actual levels of local employment in Chinese-executed public works typically fell short of this threshold. While figures provided by the Ministry of Finance suggest shares of 50-60 percent, anecdotal evidence from some high-profile projects points to levels of only 20-30 percent in some cases.[151] A corollary of this was the emergence of a visible presence of Chinese workers in Angola (estimates vary widely, with official figures by the late 2000s usually in the range of 40,000-60,000 and unofficial estimates being significantly higher),[152] often living in compounds close to construction sites and with relatively limited interaction with local communities.

With regard to the participation of Angolan firms, local business representatives have similarly complained about missed opportunities in developing a local construction sector, perhaps building upon the handful of mostly state-owned firms in existence in 2002.

147 Interview with former senior Ministry of Finance official, Luanda, July 2017.
148 Vines et al. 2009, 48.
149 Corkin 2011a, 12.
150 Whether these rules were actually always respected in private investment projects is, of course, a different matter.
151 Tang 2010; Duarte et al. 2015; Corkin 2011a. According to a CITIC representative, local employment in the Kilamba Kiaxi project was 60%, see CITIC 2014, 7.
152 Corkin 2013, 98; Vines et al. 2009, 42; Aguilar and Goldstein 2009.

A 2014 article in a local business newspaper, titled "national construction firms out of large-scale works," chronicles the decline of these companies and cites a sector expert suggesting that in many instances they do not even attempt to compete for projects anymore, "because they know from the outset that they won't win."[153]

However, the point is not so much that Angolan firms were invariably disadvantaged in these processes, but rather that the latter were widely perceived as opaque and politicised. One local businessman claimed that contracts had been distributed to "about five local firms, all of which belong to more or less the same people."[154] In a similar vein, a senior executive of a foreign engineering firm involved in several large-scale public works projects commented that he was not aware of the formal requirements regarding local participation, but that these decisions were made "on a case by case basis" and "at the top."[155] These assessments concur with the observations of a 2011 study, which noted a "lack of transparency throughout the sector value chain" in public construction and listed instances in which contracts had been "allocated to the benefit of political allies, in one example to companies controlled by the chairman and CEO of Sonangol" as well as to the MPLA-owned GEFI conglomerate.[156]

An interesting dynamic in this context especially towards the end of the 2000s arose from the acquisition of shares in Portuguese construction firms by members of the Angolan ruling elite. Speaking to some broader themes in the complex Angolan-Portuguese relationship since 2002, Portuguese companies played an important role in the Angolan reconstruction effort while simultaneously facing very challenging conditions in their crisis-ridden home market. This led to a situation where firms like Soares da Costa, Teixeira

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153 Semanário Económico, "Empresas nacionais de construção fora das grandes obras", 29 July 2014.
154 Interview with senior Angolan businessman, October 2016.
155 Interview, Luanda, July 2017.
156 Søreide 2011b.

Duarte, or Edifer all relied on Angola for 30-40 percent of their revenues in 2012,[157] creating an opening for the entry of cash-rich and well-connected Angolan investors. Particularly salient in this respect was takeover of a majority stake in Soares da Costa by Angolan entrepreneur António Mosquito in 2014, followed by an aggressive restructuring and shift of managerial control to Luanda.[158] Mota-Engil, another Portuguese company, had already set up an Angolan subsidiary in 2009 with minority participation of an Angolan consortium including Sonangol.[159] Edifer, finally, in 2011 consolidated its partnership with Grupo GEMA, with which it had already signed a formal cooperation agreement five years earlier, by creating four locally-incorporated enterprises in which each of the groups held 50 percent respectively.[160] GEMA, in turn, was singled out in 2009 by Angolan journalist Rafael Marques for the prevalence of politically connected individuals among its shareholders, including the Secretary of the Council of Ministers and the second in-command at the National Police at the time.[161]

If some of these developments were received with a certain apprehension in Portugal, concerns were perhaps even greater among these firms' competitors in Angola – at least this would be suggested by a Brazilian executive's explanation of his company's suspension of activities in Angola at the Brazilian embassy, in which he emphasized perceptions of a competitive disadvantage vis-à-vis "Portuguese firms that, as a result of the economic crisis in Portugal, have ceded stakeholder participations to Angolan firms and, therefore, enjoy privileged access to public works contracts in Angola."[162] As Søren Kirk Jensen has pointed out, the reliance on a "powerful and well-connected *socio*" tends

[157] Jover, Lopes Pinto, and Marchand 2012.
[158] Ferreira, Abílio, "Soares da Costa cada vez mais angolana", Expresso, 19 February 2015.
[159] Macauhub, "Mota-Engil Angola to be part owned by Sonangol and Banco Privado Atlântico", 17 June 2009.
[160] Ferreira, Abílio, "Edifer "angolaniza" operações", Expresso, 13 July 2011.
[161] Marques de Morais, Rafael, "The influence-peddling of Grupo Gema", Maka Angola, 2 December 2009.
[162] Cable from Brazilian embassy in Luanda to Brazilian Ministry of External Affairs, No. 00369, 1 March 2012, p. 2.

to be seen by many foreign business actors as an "efficient" strategy to secure access to public contracts in Angola, compared to the uncertainty associated with the bribery of individual public officials.[163]

These developments illustrate the extent to which some of the accumulation dynamics marking post-conflict Angola have been self-reinforcing, in the sense that prior wealth enabled members of the elite to access opportunities that would otherwise have remained closed on account of their technological complexity. A particularly pertinent example of this was Presidential daughter Isabel Dos Santos' acquisition of a majority share in Efacec Power Solutions, a Portuguese engineering company that subsequently won a series of contracts in several hydroelectric dam projects.[164] In a similar vein, a number of domestic entrepreneurs also succeeded in setting up ostensibly successful companies in the sector by fusing their capital and access with frequently foreign expertise, in some instances enabling their participation in major infrastructure projects in the country as lead contractors.

One firm that has registered some success in this area is SEOP (Sociedade de Empreendimentos e Obras Públicas), which was founded in 2008 and has since built a number of roads across the country, as well as the country's fourth-largest bridge in Namibe province. There is little information available on how this company acquired the necessary capital and expertise for the execution of these projects, other than the fact that its technical director had formerly been involved in construction projects with the armed forces during the civil war (FAPLA) as well as with Mota e Companhia.[165] What is known, however, is

[163] Jensen 2018, 33.
[164] Villalobos, Luís, "Isabel dos Santos e Estado angolano asseguram 65% da Efacec", Público, 4 June 2015; Marques de Morais, Rafael, "Dams for the damned", Maka Angola, 12 April 2017.
[165] Dalla, Isabel, "Quarta Maior Ponte do País", Exame Angola, 22 April 2016; Martins, Estevão, "Como se constrói a quarta maior ponte de Angola", Mercado, 2 March 2016.

that the company's President was Ivan Leite de Morais,[166] the son of Minister of Finance José Pedro de Morais and a business partner of the president's daughter Tchizé dos Santos.

Another interesting case is Grupo Omatapalo, which was founded in 2003 as a locally incorporated partnership between Portuguese firm Carlos José Fernandes e Cª and CNS Norte, an Angolan "service company," with an initial focus on Huíla province.[167] Following some initial successes there, its growth at the national level took off after 2009, when it associated itself with Grupo SOCOLIL, an enterprise with origins in the early days of Angolan capitalism in the 1990s (the group still prides itself of having been a "partner of the first hour of the Angolan government" in addressing the needs of the population during the civil war, see also Chapter Four).[168] Besides an impressive portfolio of public works projects including roads, electricity lines and substations, sports and multipurpose halls, and provincial government buildings, the group has also diversified its activities into areas such as commercial real estate, automobile imports, and agro-industry, and established an international presence in Africa and Europe.[169]

Finally, a company identified in 2012 as a major player in the sector by a group of consultants for the African Development Bank was Sigma Group, an Angolan company based in Luanda that, according to its own corporate communication, collaborated closely with Korean architects Space Group as well as Consolidated Consultants, a Jordanian engineering firm.[170] Information about the ownership structure and current situation of this firm are virtually unavailable,[171] but it is noteworthy that most of the projects in its portfolio

[166] SEOP, "Mensagem do Presidente", available online at http://pt.seopangola.com/a-empresa/; accessed 16 November 2018.
[167] Macauhub, "Government of Angola awards construction of 177 kilometers of national roads", 16 October 2014.
[168] Grupo Socolil, "Histórial", available online at http://www.gruposocolil.com/#/textandslideshow, accessed 7 December 2016.
[169] Grupo Omatapalo, "História", available online at http://www.omatapalo.com/page/company/timeline; accessed 8 December 2016.
[170] Jover, Lopes Pinto, and Marchand 2012, 55.
[171] A website of the firm is still online, but appears not to have been updated in years – see www.sigmagroup.ao.

falling into the category of public infrastructure were commissioned by Sonangol rather than by the relevant ministries.[172] The list of privately funded projects in which the firm was involved also reads like a best-of of post-war Angola's most enigmatic developments; including the Intercontinental Hotel in Luanda, which was completed but never opened (initially the inauguration had been scheduled for 2009, then 2015), and the Kinaxixi shopping complex, which remains a skeleton after more than 10 years of building activity.[173]

While the lack of robust information about these Angolan firms makes it difficult to conclusively assess their real significance and prospects, a point borne out even by the perfunctory information available is that in a technologically challenging sector such as large-scale construction, "local" firms in Angola have typically emerged from partnerships with foreigners, in which the latter substantially provided the relevant expertise while well-connected Angolan partners provided capital and, most importantly, access to the local market. In terms of its underlying logic, this pattern does not appear fundamentally different from the minority participations in foreign firms, or indeed their outright takeover as in the case of Soares da Costa, as discussed earlier. Given that even firms with local majority ownership have often relied on a significant share of expatriate managers as well, what exactly it means for a firm to be "local" or "foreign" is to some extent a matter of perspective – one Angolan civil society activist argued that especially in the construction sector, the distinction between a subsidiary of a foreign firm with some local employees and an "Angolan firm consisting of foreigners" was rather meaningless in terms of its wider social impact, and that it would be more interesting anyways to focus on where these firms

[172] Jover, Lopes Pinto, and Marchand 2012, 55–56. In a 2008 contribution, Lucy Corkin indeed claims that Sigma was owned by Sonangol, but I have not been able to corroborate this. See Corkin 2008, 183.
[173] This project was taken over by Portuguese firm Somague in 2011, but still not completed at the time of writing. Rede Angola, "Somague vai ampliar BNA e construir no Kinaxixi 2", 16 August 2016.

eventually channel and reinvest their profits.[174]

In sum, infrastructure rehabilitation in Angola was a boon both for foreign construction companies and for well-placed domestic capitalists who managed to access considerable accumulation opportunities. While these opportunities were unquestionably contested among foreign firms, some of which relied on considerable commercial diplomacy efforts to improve their business prospects, access was carefully managed, with political criteria ostensibly frequently prevailing over price and quality – in light of the situation described in this chapter, it is hardly surprising that construction costs in Angola remained among the highest on the continent, at a level of ca. 170 percent compared to South Africa's Johannesburg.[175] Similarly, a recent estimate of road construction costs in Angola found that the country likely spent around US$ 680,000 per lane kilometre of road, which exceeds even the highest regional benchmarks provided by the World Bank and African Development Bank.[176] At the same time, the quality of project execution has also frequently been a concern, with some parts of the long distance road network already in need of comprehensive refurbishment after just a few years of use, as well as some other high-profile calamities such as Luanda's Chinese-built Central Hospital, which had to be closed after two years due to concerns about the structure's stability.[177]

In contrast to the deliberate management of access to opportunities at the elite level, limited attention was dedicated to possibilities of leveraging the reconstruction effort for the promotion of smaller domestic firms or local employment generation, leading to a highly concentrated pattern in the allocation of benefits of this process. The parallels to the Mozambican case discussed in the first part of this section are apparent, although the scale of accumulation and the openness with which political control over economic access was

[174] Interview with Angolan civil society activist, September 2016.
[175] KPMG 2015b.
[176] Jensen 2018, 16.
[177] Soares de Oliveira 2015b, 62.

exercised was certainly more extreme in Angola.

Conclusion

This chapter has analysed the process of post-war infrastructure rehabilitation in Mozambique and Angola from a two-fold political economy perspective. First, it has considered the prioritisation of measures in terms of the sectoral and geographical distribution of investment. In this regard, it has recognised the inevitable divergence between the two cases under scrutiny due to the very different volumes of financial resources at the disposal of ruling elites, but also highlighted a set of important commonalities. As such, infrastructure spending in both countries reproduced historical patterns privileging the development of the capital and enclave economic activities with limited benefit to the majority of economic actors in the country. Rural infrastructure development suffered clear neglect in both cases, although Angola's ruling elites did make some effort to expand infrastructure facilitating the penetration of state control in the periphery.

Second, the chapter has looked at the modalities of project implementation, with an emphasis on the management of access to large-scale accumulation and business opportunities arising in the process of physical reconstruction. In this respect, both countries witnessed a strong expansion of the presence of foreign companies that captured a considerable share of these opportunities, but also the extraction of significant rents by gatekeepers along the project cycle and, importantly, the deliberate insertion of selected domestic capitalists into circuits of wealth accumulation. The latter aspect stood in contrast with mostly feeble efforts to promote a broader spread of the economic benefits of reconstruction, especially in the form of local employment.

Taken together, infrastructure rehabilitation in the two countries thus contributed to the entrenchment of the economic advantages of politically important geographical areas, to the creation of favourable conditions for large-scale projects featuring close oversight at the expense of smaller economic actors, and to the deliberate promotion of a politically unthreatening class of domestic capitalists. These developments set central themes that reverberate across the following chapters on other areas of both countries' political economy of reconstruction, and affirm the importance of this domain in the broader context of ruling elites' efforts towards "controlled expansion."

As apparent throughout the analysis that follows and discussed in detail in Chapter Six, the pursuit of this approach was in many instances a delicate balancing act, and a conclusive assessment of its ultimate sustainability and "success" from the vantage point of longer-term regime consolidation will only be possible in retrospect. Specifically with respect to the prioritisation and implementation of infrastructure projects, some observers have voiced their scepticism in this regard: For example, with regard to the Mozambican case, Helena Pérez-Niño and Philippe Le Billon have noted that "the thrust of infrastructural investment has been focused on the transport and energy demands of the mega-projects. This unbalanced development strategy has become a fertile ground for social discontent and political instability."[178] Whether the Angolan emphasis on projects that promised both immediately visible reconstruction and ample opportunities for elite accumulation, but frequently did so at the expense of wider domestic economic impact, will ultimately be remembered as the product of a shrewd political calculus or as a very costly missed opportunity, similarly remains to be seen. But what should be beyond doubt is the deliberate and fundamentally political character of ruling elites' approach to post-conflict infrastructure rehabilitation in both countries, establishing key dynamics that resonate throughout this study.

[178] Pérez Niño and Le Billon 2016, 154.

Chapter Three: Financial sector reform

If the investments into infrastructure analysed in the previous chapter addressed the obvious need to rehabilitate the physical foundations of economic activity in Mozambique and Angola after the end of conflict, restoring the "soft" institutional infrastructure equally vital to the pursuit of this objective did not pose less of a challenge in both countries. This chapter engages with a particularly critical aspect of this challenge: The reform of their financial sectors. The focus is placed on their respective banking sectors, as those account for an overwhelming share of financial sector assets in both countries and have expanded rapidly during the periods under consideration, whereas stock exchanges and capital markets remained weakly developed or even non-operational.[1] The activities of insurance companies and other financial institutions have also been relatively insignificant.

Consistent with the broader proposition advanced in this study, the chapter shows how ruling elites were able to reconcile a spectacular expansion of the banking sector with the maintenance of a high degree of discretionary control over the allocation of capital, and thus over opportunities for the accumulation of wealth. In part this was accomplished through continuing direct state involvement in the sector, which played a particularly salient role in Angola but was also significant in Mozambique, despite donor demands for a more rapid and far-reaching privatisation of banks in the latter case. More importantly, though, ruling elites also asserted themselves in the supposedly private part of the sector through the acquisition of ownership stakes and management positions in important banks.

[1] Only in December 2018, Standard Bank became the first company to issue a corporate bond on the Luanda stock exchange. Macauhub, "Standard Bank Angola inaugurates private segment of the Angola Stock Exchange", 17 December 2018.

Combined with at best conditional efforts towards the creation of effective and independent regulatory oversight bodies, this situation allowed them to not only keep a lid on the mobilisation of capital by politically unreliable actors, but also to actively use the banking sector to distribute resources and opportunities in a politicised fashion. Sector growth has therefore undoubtedly improved the provision of basic financial services, including a modicum of household lending, to middle class constituencies, and supported the business activities of a select group of insiders, but it has not led to enhanced access to credit for politically unconnected entrepreneurs. This pattern of banking sector development was thus crucial with regard to improving material conditions for relevant broader social groups, and especially with regard to the deliberately orchestrated emergence of a politically docile oligarchy.

While the described developments on the whole created material incentives for continuing allegiance to the party in power at the elite level and among broader privileged groups alike, especially the Mozambican case is also indicative of the challenges arising from the approach of "controlled expansion." As such, ruling elite involvement in the country's banking sector against a backdrop of external pressure for accelerated liberalisation acquired a more competitive dynamic, exacerbating factionalist tendencies within the ruling party. Although Frelimo was ultimately able to contain this trend, its experience points towards the challenges of maintaining durable interdependence within ruling coalitions whose members acquire ever greater wealth, an issue that may in due course also become more salient in Angola.

In developing its analysis, the chapter draws upon and contributes to a broader literature on the political economy of financial sector development. A functioning financial sector is widely recognised as an important enabler of economic growth, fundamentally due to its role in the transformation of savings into investment and thus the mobilisation of capital in pursuit of entrepreneurial ventures. These arguments have also increasingly been advanced with a view to the "bottom of the pyramid", as financial inclusion and micro-finance solutions have been heralded as key instruments of poverty reduction and the development of small enterprises.[2] Although the empirical evidence regarding the actual link between different measures of financial development and economic growth over different time horizons remains mixed – especially given the susceptibility of financial sectors worldwide to periodic crises of varying magnitudes – the fundamental relevance of finance to any advanced economy is uncontroversial.[3]

The specific political importance of finance that arises from its enabling position in the broader economy has, however, less frequently been recognised. Several valuable contributions have focused on the political determinants of the development and characteristics of financial sectors across countries: Charles Calomiris and Stephen Haber have shown how the frequency of banking crises and the scarcity or abundance of credit are driven by different configurations of coalitions between politicians, bankers, and other interest groups,[4] while Catherine Boone has argued specifically for the sub-Saharan African context that different financial reform trajectories arise from prior variation in the relationship between private capitalists and the state.[5] More generally, the financial sector has increasingly been recognised as one of the "commanding heights" of any economy, whose structure, regulation, and management are critical not only with regard to the pursuit of developmental objectives, but also to more immediately political concerns.[6]

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[2] This enthusiasm was perhaps never as pronounced among academics than among a parts of the "development community", see Johnson and Rogaly 1997; Weiss and Montgomery 2005; Bateman and Chang 2012.
[3] Murinde 2012 provides a good entry point into the relevant debates, see also Barajas et al. 2013; Law and Singh 2014; Shaxson 2018.
[4] Calomiris and Haber 2014.
[5] Boone 2005. A related argument with a more global scope can be found in Lukauskas and Minushkin 2000.
[6] La Porta, Lopez-De-Silanes, and Shleifer 2002.

It should therefore not come as a surprise that existing studies on financial sector reform in Africa have found patterns of uneven implementation and impact,[7] as well as in some cases a subversion of supposedly liberalising reforms towards clientelist ends.[8] Leonardo Arriola has perhaps pushed the thinking on the politics of financial sector development in Africa furthest, arguing that the existence of a vibrant private banking sector enhances the prospects of opposition coordination across ethnic boundaries and thus ultimately the electoral chances of opposition candidates. In terms of the causal mechanism underpinning this proposition, he suggests that financial liberalisation undermines the ability of incumbents to threaten or enact financial reprisals against businesses that support opposition candidates, facilitating the formation of pecuniary opposition coalitions.[9] Although Arriola focuses mainly on the political consequences of externally driven financial liberalisation, his depiction of ruling elite preferences squarely matches some of the observations motivating this study: "The free market prescriptions advocated by the IFIs in the 1980s and 1990s were antithetical to [African leaders' political] interests. These reforms were politically unpalatable because they entailed dismantling the instruments that had enabled leaders to exercise discretionary control over capital accumulation."[10]

The analysis presented in this chapter echoes many of these observations, but also makes an important novel contribution with its emphasis on the degree to which domestic political incentives can, under certain circumstances, lead to an approach to financial sector development that is expansion-oriented within clear boundaries of political control, rather than uniformly repressive. As such, a central strategy through which Mozambican and Angolan ruling elites have sought to entrench their position in power is not simply by ensuring that putative rivals did *not* get access to significant capital, but also inversely by

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[7] Mkandawire 1999; Fowowe 2013.
[8] Lewis and Stein 1997.
[9] Arriola 2013.
[10] Ibid., 108.

granting privileged access to accumulation opportunities to allies, as well as by ensuring an improved provision of financial services at least to some key segments of the public.

Following a brief historical contextualisation, the chapter develops its argument by considering the implementation of the two main pillars of post-war financial sector reform – the privatisation of state banks and creation of conditions for the emergence and expansion of private banks, as well as the establishment of an effective regulatory framework for the sector – in turn. It then assesses the impact of these changes with regard to patterns of access to credit and financial services, and concludes with a reflection on the political significance of banking sector development in both cases.

Banking through colonialism, socialism, and the capitalist transition

In both Mozambique and Angola, the issue of post-conflict financial sector development was inextricably linked to the broader process of capitalist transition, which was in turn conditioned by prior historical legacies reaching back to the eras of Portuguese colonialism and socialist economic management. Before discussing the post-conflict trajectories of the two countries' banking sectors in comparative perspective, this section therefore provides a brief contextualisation in this regard.

A central element of the Portuguese colonial economy was the Banco Nacional Ultramarino (BNU), founded in 1864 as "official bank" for the colonial overseas territories. The bank's practices were geared towards metropolitan interests and paid scant regard to the priorities of colonial development. This was particularly obvious in Mozambique, where it acquired control over currency issuance in 1919 and subsequently manipulated exchange controls to its own advantage, at the expense of settler interests.[11] In Angola, the BNU was replaced by a newly founded Banco de Angola in 1926, but in terms of its

[11] Smith 1974, 660ff.; Clarence-Smith 1979.

structural setup banking remained highly centralised in both countries until the mid-20th century. Towards the end of the colonial period, a new legal framework facilitated the creation of new commercial banks and significantly increased the vibrancy of banking in both countries, in tandem with a broader economic boom period especially in Angola. This development did, however, little to diminish the sector's domination by metropolitan Portuguese, and to a lesser extent other foreign, capital.[12]

Not only in terms of ownership, but also in terms of general sectoral structure, this situation was obviously untenable from the perspective of Frelimo and the MPLA following their ascent to power in 1975. In Mozambique, the still dominant BNU was transformed into a newly founded Banco de Moçambique (BM), and the new Frelimo government also took over two other institutions that had already been controlled by the colonial regime. In 1978, most private banks were forced to close and their deposits were absorbed either by BM or by the Banco Popular de Desenvolvimento (BPD), a new development bank created by combining the institutions inherited from the colonial government.[13]

Regarding the closure of the private commercial banks, there was one interesting exception, Banco Standard Totta de Moçambique (BSTM). As Anne Pitcher has argued, the reasons why this particular bank was allowed to continue to operate were manifold – they probably included the fact that the bank had been locally incorporated rather than operating as a branch of a Portuguese institution, that 15 percent of its shares were locally owned, and that the South African government exerted pressure on Frelimo not to expropriate the South African interests that accounted for part of the foreign-owned shares. Finally, the senior management of this bank was also, plainly, personally more committed

[12] Valério and Tjiplica 2016.
[13] Pitcher 2008, 42.

to staying in Mozambique than other executives were.[14] In any case, Frelimo's commitment to a doctrinaire position on financial matters was clearly limited, as rendered evident by its contracting of credit lines from the private US-based Equator Bank in 1979, in short sequence with its nationalisation efforts and during the period otherwise marking the apex of its pursuit of state-led economic management.[15]

As the 1992 peace agreement in Mozambique was concluded while its process of capitalist transition was still at a relatively early stage, its socialist-era banking system was, at least at a superficial level, still largely intact at that point. Although the Economic Recovery Programme (PRE) adopted in 1987 included provisions for the separation of BM's commercial and central bank functions, the initial focus of reforms was largely on broad macroeconomic stabilisation and the withdrawal of price controls.[16] The commitment to eliminate subsidies to the state sector technically implied a change in the role of BM and BPD, whose lending practices had previously exhibited little resemblance to those of a commercial bank (in 1987, the government recognised that more than a third of BM's and almost 80% of BPD's loan portfolios had to be written off).

In practice, both banks however still provided significant loans with poor repayment prospects to state-owned enterprises, as the maintenance of basic economic activity in the context of the civil war was seen as a matter of national interest.[17] The commercial activities of BM were eventually spun off under the name Banco Comercial de Moçambique (BCM) in January 1992 in a bid to establish greater control over money supply, but this intended effect did not materialise as the central bank continued to provide BCM and BPD with poorly controlled overdraft financing.[18]

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[14] Ibid., 61–62; Pitcher 2003.
[15] Pitcher 2008, 79–80.
[16] Wuyts 1996, 727.
[17] Hanlon 2001, 4.
[18] Arndt, Tarp Jensen, and Tarp 2000, 313.

An important change that did begin during this period was that "soft loans" were increasingly granted not only to SOEs, but also to private individuals. These were often "military men and Frelimo party officials,"[19] who were thus enabled to acquire assets in the early stages of privatisation and transform themselves into capitalist entrepreneurs (as discussed in greater detail in the next chapter). A particularly visible instance of this was a rural credit scheme set up in the late 1980s (Caixa de Crédito Agrario e de Desenvolvimento Rural, CCADR), which relied on donor counterparty funds managed by BPD and was largely disbursed to the benefit of veterans (*antigos combatentes*).

Although it is not entirely clear to what extent this distribution of capital was subject to centralised oversight – Joseph Hanlon notes that loans were sometimes granted in exchange for "commissions" to bank officials[20] – there can be little doubt that benefits overwhelmingly accrued to individuals and constituencies that were seen as important by Frelimo, and other observers have not hesitated to characterise it as "the state […] 'buying off' potential dissident groups such as the army veterans."[21] The impression of central facilitation is also corroborated by Hanlon's remark that "senior bankers told us of telephone calls from people close to the President instructing that loans be given to certain companies or cash be given to individuals."[22] Notably, World Bank oversight failed to rein in and potentially even amplified these tendencies – according to its own ex-post evaluation, the Bank compromised on the careful scrutiny of credit applications and prioritised the rapid disbursement of funds to accelerate the implementation of its enterprise restructuring and SME development projects, up to the point of exerting "substantial pressure" to that effect on bank officials.[23]

[19] Hanlon 2001, 4.
[20] Ibid., 5.
[21] Hermele 1990, 36. See also West 2005, 184–185 on how this played out at the local level.
[22] Hanlon 2001, 5.
[23] Landau 1998, 63; Hanlon 2004.

All of this occurred within a context in which banking operations were largely of a most basic character: As the World Bank noted in 1994, "payment systems have largely broken down, banking services are limited and inefficiently provided, and financial innovation in terms of institutions and instruments has been virtually non-existent."[24]

In Angola, the initial nationalisation of the banking sector proceeded in a substantially similar but even more comprehensive fashion, as the assets and liabilities of Banco de Angola were confiscated and transferred in 1976 to the new Banco Nacional de Angola (BNA). Besides its role as the central bank and currency issuer, BNA also functioned as the treasury and as a commercial bank. One of the other existing commercial banks, Banco Comercial de Angola, was used to form the basis for a new state-owned savings bank, Banco Popular de Angola, while all other privately-owned banks were shut down and their assets incorporated into the state banks.[25]

Due to the failure of the 1992 peace process and the resumption of fighting amid ongoing economic reforms, banking had already moved somewhat further away from this setup than in Mozambique when war finally came to an end in 2002. Cautious debates about the necessity of financial sector reform already featured in MPLA party congresses is 1980 and 1985. Following the adoption of the 1987 Programa de Saneamento Económico e Financeiro (SEF), initial steps in this direction were then pursued. A new legal framework establishing a two-tier banking system was introduced in 1991,[26] accompanied by the transformation of Banco Popular de Angola into a full commercial bank (Banco de Poupança e Crédito, BPC) and the creation of two additional state-owned commercial

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[24] World Bank, "Memorandum and recommendation of the President of the International Development Association to the Executive Directors on a proposed credit to Mozambique for a Financial Sector Capacity Building Credit", Doc. P-6209-MOZ, 15 March 1994.

[25] Banco Nacional de Angola, "História", available online at http://www.bna.ao/Conteudos/Artigos/detalhe_ artigo.aspx?idc=139&idsc=168&idl=1>, accessed 17 January 2018.

[26] Comprising laws 4/91(Lei Orgânica do Banco Nacional de Angola) and 5/91 (Lei das Instituções Financeiras)

banks, Banco do Comércio e Indústria (BCI) and Caixa de Crédito Agro-Pecuária e Pescas (CAP).[27] Especially the latter bank quickly became notorious for its provision of credit at very favourable interest rates (which were often negative in real terms) to selected recipients. The effect of these lending practices on its balance sheet was compounded by devastating repayment rates, indicating the bank's role in facilitating war-time accumulation in a fashion similar to what was just described for the Mozambican case.[28]

Significant for the development of a less monolithic banking sector was also the (re-)opening of branches of Portuguese banks like Banco Totta e Açores, Banco de Fomento Exterior (BFE), and Banco Português de Atlantico (BPA) during the first half of the 1990s.[29] Its role in the diversification of the sector notwithstanding, this trend however hardly constituted a Portuguese take-over of Angolan banking, especially as the BNA also continued its commercial banking activities until 1996 and still accounted for more than 80 percent of private credit in the early 1990s. The first Angolan bank not under immediate state ownership was founded in 1997 with Banco Africano de Investimentos (BAI),[30] which however also involved the national oil company Sonangol as its largest shareholder. In 1999, the legal framework for banking activities was updated and detailed through new laws specifying the role of the BNA and the regulation of financial institutions, in tandem with broader measures in the areas such as foreign exchange liberalisation.[31]

While collectively amounting to an important modification of Angola's financial landscape prior to the end of the war, these developments did not constitute a qualitative

[27] Aguilar 2003, 135ff; ABANC, "Evolução Histórica do Sistema Financeiro Angolano", available online at http://www.abanc.ao/sistema-financeiro/evolucao-historica/evolucao-historica-do-sistema-financeiro-angolano/, accessed 18 January 2018.
[28] Hodges 2003, 133; Africa Confidential, "Bailing in", 22 October 1999. The bank was eventually dissolved in 2000 due to "grave solvency problems", see ABANC, "Evolução Histórica do Sistema Financeiro Angolano".
[29] Valério and Tjiplica 2016.
[30] Later renamed Banco Angolano de Investimentos
[31] ABANC, "Evolução Histórica do Sistema Financeiro Angolano".

transformation from a political economy perspective, in that the system clearly remained under far-reaching state and MPLA control.[32] As IMF staff observed in their report for the 2003 Article IV consultations, "the development of a healthy banking sector has been constrained by a history of large government intervention in the sector and limited prudential regulation."[33] Although Angolan banks assisted in the realisation of the politicised privatisation process described in detail in the next chapter,[34] and although especially the foreign branches exploited profitable opportunities in areas like foreign exchange management, they also only played a limited role in the financing of serious business ventures or the state itself.[35] For the latter purposes, the Angolan government instead relied overwhelmingly on its relations with foreign banks to which it had access through Sonangol, which mobilised considerable resources for the state through the contracting of oil-backed loans and opaque special purpose vehicles (SPVs).[36]

Following the termination of violent conflict, the growth of both countries' banking sectors and their development away from the centralised systems characterising the socialist era picked up considerably greater dynamism. Ten years after the conclusion of the respective peace agreements, the number of commercial banks operating had risen to 12 in the case of Mozambique (2002) and 18 in the case of Angola (2012), while assets had grown to approximately 30 percent and 50 percent of gross domestic product respectively.[37] In absolute terms this development was particularly spectacular in Angola – with more than

[32] See also Boone 2005.
[33] IMF, "Angola 2003 Article IV Consultation", IMF Country Report 03/291, September 2003.
[34] Ferreira 1995.
[35] According to the IMF, by late 2002 only 30% of bank deposits were intermediated into credit, while the rest was held in foreign assets or excess reserves at the BNA. See IMF, "Angola 2003 Article IV Consultation", IMF Country Report 03/291, September 2003, p. 7.
[36] Hodges 2003, 142; Vallée 2008; Soares de Oliveira 2007.
[37] Data for Angola from AfDB, "African Financial Sector Database", available online at http://dataportal.opendataforafrica.org//AFDBFP2016/african-financial-sector-database-2016?country=1000370-mozambique, accessed 22 January 2018. Data for Mozambique from IMF, "Republic of Mozambique: Financial System Stability Assessment", IMF Country Report 04/52, March 2004, p. 41; asset-to-GDP ratio estimated based on GDP figures from IMF, "Mozambique 2002 Article IV Consultation", IMF Country Report 02/140, July 2002, p. 28.

US$ 60 billion in assets by 2012, its banking sector had grown into one of Africa's largest within a decade of emerging from conflict, recording a 20-fold increase from a basis of merely US$ 3 billion.[38] Significant variation among individual banks and fluctuations over time notwithstanding, the sector also became highly profitable in both countries, with some banks regularly posting annual returns on average equity in the range of 20-60 percent.[39]

The proliferation of bank branches and ATMs, accompanied by the adoption of modern corporate designs and professional marketing activities, serve as a highly visible indicator of economic change that no visitor to the capitals Maputo and Luanda can possibly miss. However, whether this expansion also entailed a shift in the dynamics of political control over the sector, as well as in patterns of access to banking as an enabler of business ventures, is a less obvious matter. The following sections seek to elucidate these issues through a closer look at the evolution of patterns of bank ownership and management and of the development of the sector's regulatory framework after the end of conflict.

Modalities of the banking sector's opening up to private participation

The increase in the number of banks in both countries over the first decade of post-conflict recovery has already been noted. This trend further accelerated in subsequent years, especially in Angola, where the number of banks reached 27 in 2014.[40] In order to make this rapidly changing picture more intelligible and to avoid getting lost in the details of individual institutional histories when considering the ownership and management of different banks, it helps to first consider some basic data regarding the structure of both countries' sectors some time into the reconstruction process. Table 1 shows Angola's and

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[38] Ibid.; George 2015.
[39] KPMG 2006; KPMG 2015a; Deloitte 2015.
[40] ABANC 2014.

Mozambique's five largest banks in terms of assets, slightly more than a decade after the respective peace agreement.

Rank	Mozambique (2006)	Share of total assets	Angola (2014)	Share of total assets
1	Banco Internacional de Moçambique (BIM)	39%	Banco de Poupança e Crédito (BPC)	18%
2	BCI Fomento	22%	Banco Angolano de Investimentos (BAI)	17%
3	Standard Bank	21%	Banco de Fomento Angola (BFA)	16%
4	Banco Austral	10%	Banco BIC	13%
5	African Banking Corporation (ABC)	3%	Banco Privado Atlântico	6%
	Top 5 total	**94%**	**Top 5 total**	**69%**

Table 1: Banking sector asset concentration in Mozambique and Angola.
Author's calculations based on KPMG 2006, KPMG 2015.

A first important observation is the degree of sector concentration in both cases: In Angola, the five largest banks held more than two thirds of total sector assets at this point, while the top four banks in Mozambique alone accounted for more than 90 percent. This pattern also did not look substantially different for other indicators such as deposits, profits, branches, and employees.[41] Moreover, most of the banks in the table are already familiar from the previous section, although obscured in the case of Mozambique by the incorporation of BCM into Banco Internacional de Moçambique (BIM), the renaming of BPD into Banco Austral, and the renaming of BSTM into Standard Bank.

Taken together, these observations suggest that the proliferation of banks was in both cases more of a symptom of sector growth than an actual driver. The trajectory of the banks established at an early stage of the capitalist transition clearly merits particular attention, while the mushrooming of small banks that have not been able (and in some

[41] See also Deloitte 2015; Barros and Mendes 2016.

instances ostensibly also did not have the intention) to acquire significant market shares is an interesting phenomenon in its own right.

In Mozambique, the privatisation of the former state banks proceeded amid significant debate during the first decade of economic reconstruction. As noted, BCM and BPD had already been transformed into commercial banks (although evidently lacking any semblance of the profit orientation and prudent approach to lending that one would usually associate with such an institution), but both were still fully government-owned. A 1992 World Bank report had strongly advised to consider the liquidation of BCM altogether,[42] and according to a later document the restructuring was seen as a "second best" alternative that was pursued at the insistence of the Mozambican government.[43] Following an initial attempt at a sequenced approach to reform, "in 1994 the [World] Bank shifted toward a more decisive course on privatization […] and recognized the need for enterprise and banking reform to proceed in tandem."[44] This position was also reflected in its Financial Sector Capacity Building Project (FSCB), which started in 1994. The aims of the project were to provide training to BM as well as commercial banking professionals, strengthen legal capabilities at BM, support general institutional development, and undertake studies to inform policy-making.[45]

Within Frelimo, there were several different positions on this issue – in Joseph Hanlon's words, "some wanted the banks cleaned up and to have an active state banking sector, while some senior Frelimo figures opposed privatisation because they wanted to continue to be able to allocate funds on both political and personal grounds."[46] A third

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42 World Bank, "Mozambique Financial Sector Study", Doc. 10269-MOZ, 14 September 1992, p. 116.
43 World Bank, "Implementation completion report on a credit in the amount of US$9 million to the Republic of Mozambique for a Financial Sector Capacity Building Project", Doc. 23372, 21 December 2001, p. 6.
44 Landau 1998, 9.
45 World Bank, "Memorandum and recommendation of the President of the International Development Association to the Executive Directors on a proposed credit to Mozambique for a Financial Sector Capacity Building Credit", Doc. P-6209-MOZ, 15 March 1994.
46 Hanlon 2002, 59.

group, including the Finance Minister until 1992, Abdul Magid Osman, was aligned with the World Bank on the need to privatise the banks as quickly as possible: "The important thing was not to run companies by the state any more, we did not pay a lot of attention to whether the new private owners were more capable. […] We had to make sure that our capacity would not be completely absorbed by these smaller problems, which would have made it even more difficult to focus on the big problems."[47]

While the IFIs were closely involved in the privatisation process through the FSCB project[48] and undoubtedly exerted pressure on the Mozambican government to proceed with the sale of the banks – making it one of the "necessary conditions" for the approval of the World Bank 1995 Country Assistance Strategy, as well as a requirement in the 1996 IMF-World Bank Policy Framework Paper – the degree to which this general development was externally imposed should therefore not be overstated.

An initial obstacle to the process was that private investor interest in BCM and BPD was limited, given the poor administrative state of both banks and the disquieting nature of what was known about their opaque financial positions. For BCM, the only serious bidders were Portugal's Caixa Geral de Depositos on the one hand, and a consortium led by Portuguese businessman António Simões (comprising the Mozambican insurance company Impar, of which he was the majority shareholder, National Merchant Bank of Zimbabwe/NMBZ, and Portugal's Banco Mello) on the other. Besides the fact that Simões was accused of using loans that he had previously obtained from BPD for a completely different purpose to finance the deal,[49] several senior bankers interviewed by Hanlon also claimed that NMBZ was fronting for the family of President Chissano. This suspicion was

[47] Interview with Abdul Magid Osman, Maputo, November 2017
[48] World Bank, "Implementation completion report on a credit in the amount of US$9 million to the Republic of Mozambique for a Financial Sector Capacity Building Project", Doc. 23372, 21 December 2001.
[49] Simões had committed to rehabilitating several metal-working companies in Mozambique, see Fauvet and Mosse 2003, 312ff.

reinforced by the sudden drop-out of Caixa from the bidding process, which left the Simões consortium as the only candidate. Despite the reported opposition of some BM officials, the privatisation of 51 percent of BCM went ahead in July 1996.[50] Due to its position as a large minority shareholder, the government retained the right to appoint one of the bank's administrators, and chose to keep Teotónio Comiche, the brother of former Finance Minister Eneas Comiche, who had already served in this capacity while the bank was still in full state ownership.

Regarding BPD, it proved even more difficult to find an appropriate buyer. Ultimately, 60 percent of the bank were sold in 1997 to a holding company named Investil, which assembled a Mozambican investment group called Invester and the Malaysian institution Southern Bank Berhad (SBB). Lacking any prior link to the country, the latter surprisingly became involved in Mozambique following a state visit to Malaysia by President Chissano. Investil, in turn, was headed by Octávio Muthemba, a former minister of Industry and chairman of SPI Gestão e Investimentos, a Frelimo-owned holding company. Muthemba also served as chairman of the now renamed Banco Austral, while the CEO was appointed by SBB. Besides the obvious Frelimo connection, suspicions of more immediate Presidential involvement were also aroused by the presence of Chissano's son Nyimpine at the handover ceremony.[51]

In the meantime, several private banks had also entered the market, two of which managed to break into the circle of larger players. The first one of those was Banco Internacional de Moçambique (BIM) in 1994, whose shareholders comprised the Portuguese bank Banco Comercial Portugues (BCP, 50 percent of shares), the International

[50] Hanlon 2002, 60–61.
[51] Fauvet and Mosse 2003, 297; Hanlon 2002, 62. During the trial of the murder of journalist Carlos Cardoso, documents were published in the Mozambican press that indicated a consultancy contract between Austral and Nyimpine Chissano, but the latter maintained that he had only ever been a client of the bank. See AIM, "Cardoso Murder: Nyimpine Chissano Accused of Lying", 7 December 2002.

Finance Corporation (25 percent), several Mozambican government bodies (22.5 percent), and the Community Development Foundation (Fundação para o Desenvolvimento da Comunidade, FDC) run by Graça Machel, the widow of late President Samora (2.5 percent).[52] Despite its foreign majority ownership, BIM's shareholders chose to appoint as its chairman Mario Fernandes da Graça Machungo, who had just finished his tenure as the country's Prime Minister.

The second large private bank was Banco Comercial e de Investimentos (BCI), initially created in 1996 as a small investment bank by a group of Mozambican shareholders around former Finance Minister Abdul Magid Osman. Recognising that the initially envisaged model would not be viable under the conditions of the time, the bank actively looked for a foreign partner and came to an agreement with Caixa (which had remained interested in Mozambique despite the BCM episode), which acquired 60 percent of its shares and "gave the bank credibility and financial muscle."[53] Its further growth was enabled by the entry of another large Portuguese shareholder, BPI, in 2003.[54]

Besides these two important institutions, there were also various attempts to set up smaller banks, some of which exhibited similar characteristics to the Angolan banks discussed above. An early example of this was Credicoop, a cooperative bank created in 1995. Its founders included several individuals who were recognised as competent businessmen but also known to be linked to Frelimo,[55] as well as some more obviously political figures like former National Director of Intelligence and Minister of State Security, Jacinto Veloso, and people linked to the intelligence service SISE.[56] Another

[52] Hanlon 2002, 58–59.
[53] Interview with Abdul Magid Osman, Maputo, November 2017
[54] BCI, "Marcos Historicos", available online at https://www.bci.co.mz/Institucional/MarcosHistoricos.html, accessed 18 January 2018.
[55] Pitcher 2008, 158.
[56] Lloyd's List, "First private bank licence granted to co-operative", 6 April 1995; AIM, "Mozambique: Bank goes bankrupt", 21 December 2002.

bank, Banco Mercantil e de Investimentos, was set up in 2001 with a British Virgin Islands-registered asset management firm owned by Rwandan-American Alfred Kalisa as its largest individual shareholder (40 percent) but an overall majority held by Mozambican institutions and individuals. The latter included the state-owned National Institute of Social Security (INSS) and electricity company EDM, but also Focus 21, a firm linked to Armando Guebuza, the prominent Frelimo figure and government minister who would later become the country's second post-war President.[57]

Due to a series of frauds and a lack of oversight over credit creation, as further discussed in the next section, BCM and Banco Austral both came close to collapse shortly after the turn of the century. In the case of BCM, the problem was revealed though an audit requested by the management of BCP, which had taken over Banco Mello in Portugal and thereby acquired control over BCM (in addition to its majority stake in BIM). The audit indicated a need for a recapitalisation of at least US$ 106 million, of which the government would have to shoulder about 52 million.[58] Even though the dubious assets causing the funding hole had been accrued before its involvement in BCM, BCP agreed to cover the remaining 54 million without pursuing further investigations, which was interpreted as a quid-pro-quo for the government not to attempt to block BCP's simultaneous ownership of two large banks in the country.[59] Despite commentators' concerns about an emerging monopoly, BCP appointed BIM chairman Mario Machungo to hold the same position simultaneously at BCM, and the two banks merged in 2001.[60]

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[57] PANA, "Mozambique gets one more commercial bank", 19 September 2001. When the bank, renamed Nosso Banco in the meantime, had to be liquidated in 2016, it became clear that the bank only had about 6000 clients (of which app. 1000 were corporate), and that small minority stakes were held by many members of the political elite, see Caldeira, Vicente, "Banco de Moçambique não revela quem são os membros do partido Frelimo accionistas do falido Nosso Banco", Verdade, 10 April 2017.
[58] Teixeira, Rogério, "Banca moçambicana acentua crescimento", Jornal de Noticias, 4 January 2001.
[59] Hanlon 2002, 67.
[60] PANA, "Former Premier Heads Two Mozambican Banks", 6 October 2000; Teixeira, Rogério," Fusão de bancos do BCP em Maputo", Jornal de Noticias, 30 August 2001.

At the same time, an audit of BPD had also revealed a series of significant gaps and write-offs. Instead of participating in the necessary restructuring, its Malaysian shareholders decided to pull out entirely and to return their shares to the government.[61] Following a turbulent interim period (discussed below), 80 percent of the bank were sold to South African bank ABSA for a price of only around US$ 10 million, in a competitive tender against BCI that was adjudicated by the Council of Ministers.[62]

If the initial years of banking liberalisation in Mozambique can be interpreted as marked by the attempt of members of the ruling elite to secure direct stakes in the country's banks, the sector that consolidated in the aftermath of these events was thus one in which ownership of the large institutions had very largely shifted to private foreign investors. The initial dominance of Portuguese institutions was diminished by the entrance of ABSA as well as by South African Standard Bank's buyout of Banco Totta in 2004, which resulted in the renaming of BSTM to Standard Bank Mozambique,[63] but the overall role of foreign capital only grew.

A desire to reinvigorate the direct involvement of the state in the sector clearly endured among parts of Frelimo, as reflected in persistent calls for the creation of a national development bank that started in the early 2000s. Despite donor scepticism, this was also ultimately realised in 2010 with the creation of Banco Nacional de Investimentos (BNI), but the bank had still not asserted itself as a particularly consequential actor at the time of writing.[64] Newly founded domestic institutions anywhere close to the scale of the established banks similarly did not emerge until the very end of the period under scrutiny,

[61] Hanlon 2002, 68.
[62] AFP, "South Africa's ABSA buys troubled Mozambican commercial bank", 30 October 2001. 20% of Banco Austral continued to be held by a group of app. 1200 former and current employees, see Business Report, "Barclays Bank Mozambique gets R268.2m injection", 10 July 2010.
[63] Standard Bank 2015, 23.
[64] BNI was initially set up in cooperation with the Portuguese government, whose shares the Mozambican government acquired in 2012, see Braun and Paffhausen 2014. See also Nathan Associates 2007, 39ff. for an account of the preceding debate.

when the broader economic environment also began to change due to resource discoveries and rising levels of foreign investment. The most prominent example of this was Moza Banco, which was created in 2008 as a partnership between Moçambique Capitais, an investment group led by former BM governor Prakash Ratilal (who also served as its CEO), and Geocapital, a Sino-Portuguese joint venture.[65] The bank grew aggressively in the subsequent years and was soon one of the country's largest in terms of assets, but faced BM intervention in 2016 after running into severe liquidity problems.[66]

Due to its growing reliance on foreign capital, the Mozambican banking sector became increasingly exposed to decisions made outside the country. The rebranding of Banco Austral into Barclays Mozambique following the takeover of ABSA by the British group in 2007 was a particularly visible example,[67] but more consequential was perhaps the general accountability to foreign shareholders with regard to strategic direction and business performance, which would seem to leave little leeway for politically motivated decisions.

In addition to the remaining 30 percent government stake in BIM and private elite shareholdings in some smaller banks, though, there are strong indications that the foreign-owned banks remained conscious of the importance of maintaining close relations with the country's ruling elite. In one prominent instance this played out at the level of ownership, as BCI's initial founders around Magid Osman exited the bank in 2007 and were replaced by Grupo Insitec,[68] whose young owner Celso Correia was widely seen as a protégé of the new President Armando Guebuza.[69]

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[65] Alves 2011. The latter was later overtaken as second largest shareholder by Banco Espírito Santo.
[66] Cotterill, Joseph, "Mozambique's stricken lenders find help in short supply", Financial Times, 9 November 2017. It was also revealed that Moza Banco had bought US$ 20 million in debt from ProIndicus, one of the SOEs involved in the "hidden debt" scandal.
[67] AIM, "Banco Austral renamed Barclays", 7 December 2007.
[68] AIM, "Mozambique: New Structure for Second Largest Bank", 25 November 2007.
[69] Hanlon and Mosse 2010. Graça Machel's investment group Whatana also attempted to acquire a 10% stake in BIM in 2009, but was unsuccessful – see Indian Ocean Newsletter, "Machel's son's finger in every pie", 17 October 2009.

Following the model first exemplified by BIM, more common has been the inclusion of at least one major political figure in senior management: For example, Mário Machungo remained chairman of BIM until 2015,[70] Luísa Diogo became chairperson of Barclays Mozambique following her time as Minister of Finance and Prime Minister, and former Minister of Finance and Planning as well as of Transport and Communication Tomaz Salomão was appointed chairman of Standard Bank; the latter two also held these positions while they were members in Frelimo's Political Commission.[71] It should be stressed that these appointments were plausibly justifiable on grounds of competence and experience, and that there has been no evidence of specific instances of political interference in the management of these banks. But the continuing proximity of the large banks to the party in power in Mozambique, despite the prevalence of foreign ownership, remains apparent.[72]

In Angola, the continuity in the post-conflict evolution of the largest players in the banking sector with the final period of the civil war was even more apparent than in Mozambique, including a persistent pattern of direct involvement of the state. BPC, the country's largest bank by assets, has remained in state ownership and its privatisation was never seriously discussed, even when the institute for the public enterprise sector (Instituto do Sector Empresarial Público, ISEP) announced plans for a wave of privatisations in 2013.[73] Throughout the entire period under scrutiny in this study, its chairman was Teodoro Lima da Paixão Franco Júnior, who also served as a member of the MPLA Central

[70] The bank had been renamed Millennium bim in the meantime.
[71] Bloomberg, "Luisa Diogo: Executive Profile & Biography", available online at https://www.bloomberg.com/ research/stocks/private/person.asp?personId=153886750&privcapId=29180096&previousCapId=29180096&previousTitle=Barclays%20Bank%20Mozambique%20SA, accessed 14 January 2017; Club of Mozambique, "Mozambican PM is one of eight new members of Frelimo Political Commission", 2 October 2017. Diogo was also a simultaneously a member of parliament, but resigned in 2013 over conflict-of-interest allegations, see Africa Confidential, "Limits to corruption campaign", 10 May 2013.
[72] See also Alves 2014, 40.
[73] Angonotícias, "BPC e BCI, não estão a venda", 4 June 2013.

Committee and First Secretary of the MPLA's Business and Entrepreneurs' Special Committee.[74] Characteristically, his eventual replacement at the helm of BPC in 2016 was announced by the Casa Civil, the civilian branch of the Presidency.[75]

If anything, the role of the state in banking was further amplified after 2002 – in addition to ongoing control over the smaller Banco de Comércio e Indústria, the national development bank Banco de Desenvolvimento de Angola (BDA) was created in 2006, and SOEs acquired minority stakes in several private banks. Particularly noteworthy in this regard was the Sonangol acquisition of shareholdings in the large player BFA and the slightly smaller Caixa Geral de Angola, in addition to its existing stake in BAI.

This process was facilitated by the opening of the shareholding structures of the Portuguese banks that had arrived during the 1990s to local participation, following their transformation from branches into banks under Angolan law.[76] Although not directly precipitated by formal regulatory requirements, a senior banking executive did not hesitate to describe this development as "driven by the political process […] the climate was such that they were expected to incorporate locally and to empower people here."[77] An Angolan banker similarly opined that "there can be no doubt that licensing processes have been used to put pressure on foreign banks" regarding the acceptance of "recommended Angolan partners".[78]

In addition to the sale of stakes to SOEs, this also led to the rise of Angolan private shareholders in the banking sector, who have almost invariably been either members of the political ruling elite themselves or businesspeople whose political connections are well known. A prominent example involving one of the major banks was the 2008 sale of 49.9

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[74] Africa Confidential, "The bad loans bite back", 6 January 2017.
[75] Novo Jornal, "Paixão Júnior exonerado do BPC", 3 October 2016.
[76] Fonseca, João. "Os bancos angolanos no estrangeiro e os bancos estrangeiros em Angola". Presentation at Expansão Forum Banca, Luanda, 20 June 2012.
[77] Interview, Luanda, June 2017.
[78] Interview, Luanda, December 2016.

percent of BFA by its Portuguese owner BPI to Angolan telecommunications firm Unitel, one of whose largest shareholders was Isabel Dos Santos, the daughter of the country's President at the time.

The same pattern also applied to the entry foreign-owned banks who were not part of the group of Portuguese early movers. Banco Espírito Santo de Angola (BESA), which acquired a license shortly before the end of the civil war and subsequently grew into one of the country's largest banks until its collapse in 2014 (as discussed in the next section), saw minority shareholdings being sold to firms owned by Isabel Dos Santos as well as by Vice-President Manuel Vicente and General Manuel Hélder Vieira Dias "Kopelipa", two central figures in Angola's post-war political economy already familiar from the chapter on infrastructure.[79] Russian-owned VTB set up its local operation in 2007 in collaboration with António Carlos Sumbula, former Deputy Minister of Geology and Mines and later chairman of the national diamond company, Endiama.[80] Even major foreign banks like South African-owned Standard Bank (which entered Angola in 2010) and British-owned Standard Chartered (entry in 2014) conformed to this expectation, the former partnering with Sonangol-owned insurance and asset management firm AAA Activos and the latter with public insurance company ENSA.[81]

What all of these examples amply demonstrate is that foreign market entries have not only been entirely compatible with state and domestic elite participation in Angolan banking, but that they have indeed been actively leveraged to consolidate this pattern. At the same time, the significance of the more recent foreign entries should also not be overstated – of the mentioned banks, only BESA and to a lesser extent Standard Bank have

[79] Laxmidas, Shrikesh, and Pascal Fletcher, "In BES saga, the Angolan connection emerges from silence", Reuters, 18 July 2014.
[80] Lange, Idriss, "Le russe VTB Bank annule le projet de fusion de sa filiale angolaise avec le groupe local Banco Privado Atlantico", Agence Ecofin, 26 September 2015.
[81] Expansão 2017. See also Reuters, "Standard Bank partners with Angola's AAA Activos", 24 July 2012.

showed any inclination to establish a broader-based presence, while the others seem to have mostly focused on a small group of corporate clients and kept the scale of their operations very limited – in terms of its visibility, the Angolan subsidiary of Standard Chartered for example is not worlds away from the representative offices that some other foreign banks have opened in Luanda without acquiring an actual Angolan banking license.[82]

Indeed, many of the banks created after 2002 were able to rely almost entirely on domestic capital, an unusual feature of the Angolan market that is clearly related to its resource-based economy. This category of banks is internally diverse in terms of its size and sophistication, ranging from Banco BIC, the only new bank that was been able to break into the circle of the five largest banks by assets, and other larger institutions like Banco de Négocios Internacionais (BNI), Banco Keve, and Banco Sol to some very small and weakly capitalized banks. What they have in common are shareholding structures very largely consisting of individuals and holding companies with more or less obvious connections to the regime, as well as management setups that tend to rely quite strongly on foreign expertise but include the same type of individuals at the board level. For example, investigative reports on Banco BAI and Banco Keve each identified more than ten current public officials among their beneficial owners respectively,[83] Isabel Dos Santos holds a significant stake in Banco BIC in addition to her BFA participation, and Banco Sol counts among its shareholders José Eduardo dos Santos' wife Ana Paula, as well as his successor and former defence minister, João Lourenço.[84]

This accumulation of private shareholdings in the hands of regime insiders contrasts with the absence of any individuals with known opposition links (and indeed the scarcity of businesspeople without strong MPLA connections) among bank shareholders and board

[82] These include significant banks like Banco do Brasil, Commerzbank, or Nedbank. Pan-African Ecobank did acquire a banking license, but never started operations.
[83] Marques de Morais, Rafael, "BAI: The Regime's Banking Laundromat", Maka Angola, 8 June 2012.
[84] Expansão 2017.

members. Taken together with the mentioned shareholdings in the foreign banks, the phenomenon of elite ownership has reached such proportions that the country's most important business paper, *Expansão*, now regularly includes a list of these shareholders in its annual special edition on the banking sector, although this exercise is in some cases rendered difficult by the use of anonymous shell companies.

Some of the most extreme examples can be found among the smaller and more recent players – consider Banco Prestígio, a private and corporate bank created in 2014 by President Dos Santos' children Tchizé and Coréon Du along with several associates, whose general assembly of shareholders is chaired by their mother Maria Luísa Abrantes, also former head of the national agency for private investment ANIP (see also next chapter). The prevailing view in Luanda's financial circles is that there is no conventional business rationale for the proliferation of these small banks and that a wave of consolidations had become overdue with the downturn of 2014.[85] However, as one banker explained, this is unlikely to happen, as "these owners are not ready to lose control" – indeed, whether there would be an end to the stream of new elite-owned small banks was in his view "really a political question."[86]

Meanwhile, the structural dominance of the small set of large banks was further consolidated, and their weight considerably enhanced, through an audacious regulatory initiative eventually realized in 2012. A new foreign exchange law for the petroleum sector mandated the use of local currency and of locally registered banks for all payments related to the purchase of goods and services, as well as the settling of tax obligations, in the oil

[85] As Africa Confidential notes regarding Banco Prestígio, "many in Luanda believe the main, if not sole, purpose of the bank is access to the weekly auctions of foreign currency by the Banco Nacional de Angola, the central bank, to which only banks are admitted." Africa Confidential, "Dos Santos Inc. under threat", 19 January 2018. This sentiment was also echoed by a former BNA official, Interview, Luanda, November 2016.
[86] Interview, Luanda, October 2016.

sector.[87] This initiative had already been mulled since 2003, but delayed on account of concerns about its potential impact on oil sector operations.[88] Its eventual implementation led to an extraordinary boost to the level of financial flows handled by Angolan banks by about US$ 30 billion per year, which were heavily concentrated in the few large banks deemed capable of handling such transactions.[89] BESA's CEO Alvaro Sobrinho acknowledged the beneficial impact of this law for these institutions, noting that "the banks need funds especially as there is no capital market in Angola. Although not all banks are able to manage this kind of money, the largest five are ready, and there are no expectations for new entrants."[90]

In summary, ruling elites in both Mozambique and Angola opened up their country's banking sectors to private participation, but sought to shape this process in such a way that it enhanced rather than reduced their discretionary control over the allocation of capital. This was accomplished through two complementary strategies, namely the maintenance of strong direct state involvement in the sector on the one hand (especially in Angola), and the acquisition of stakes and management positions in an ostensibly private capacity on the other. As the next section will show, this control through ownership and management of banks offered particularly far-reaching room of manoeuvre in an environment where regulatory oversight remained limited.

[87] Law 2/2012, Lei Sobre o Regime Cambial Aplicável ao Sector Petrolifero, 13 January 2012.
[88] These concerns were later vindicated to the extent that Angolan suppliers and service providers increasingly struggled to procure the foreign currency needed to sustain their operations. This became acute after the downturn of 2014, which was managed not through an adjustment of official exchange rates, but instead through a rationed allocation of foreign currency by the BNA.
[89] George, Edward, "Angola's financial sector: An overview". Presentation at Roundtable on Angola's Financial Sector, Oxford, 18 June 2015. See also Africa Confidential, "Banks strike oil", 2 December 2011.
[90] Sobrinho, Alvaro, "Policies and Practicalities: Angola's Business Environment". Presentation at Chatham House, London, 12 July 2012.

Regulatory reform and the challenge of independent oversight

In tandem with the opening of the banking sector to private participation, the second important strand of sector reform consisted in steps towards the establishment of a more encompassing regulatory framework as well as of regulatory agencies.

Given the dearth of qualified professionals and the lack of experience with a two-tier banking system featuring a separation of central and commercial bank functions, it was apparent from the outset that the establishment of an effective and competent regulator would be a major challenge in both countries even in purely technical terms. Angola nevertheless attempted to handle the reform process with very limited international involvement, partly due to significant tensions with the IMF over the latter's criticism of the lack of transparency in public revenue management. This situation only genuinely changed in the aftermath of the global financial crisis of 2008, when the government accepted an IMF stand-by agreement (2009-2012) as well as a Financial System Stability Assessment.[91] In Mozambique, in contrast, the process was from the beginning closely accompanied and supported by the IFIs. In the early years, this occurred mainly through the mentioned Financial Sector Capacity Building Project (FSCB), which was followed by a Financial Sector Technical Assistance Project (FSTAP, initiated in 2003 and implemented in 2005-2012). The IMF also conducted Financial Sector Stability Assessments in Mozambique in 2003 and 2012.

Both countries' central banks have registered some undeniable accomplishments in the post-conflict period, notably with regard to monetary policy and inflation control (no small feat especially given the difficult fiscal situations encountered by both governments at several points) and to the implementation of facilitating regulation for the financial

[91] IMF, "Angola: Financial System Stability Assessment", Doc. SM/12/158, 27 June 2012.

sector, for instance regarding payment systems.[92] In principle, the legal frameworks established during the capitalist transition also established their supervisory and remedial capacities, including the right to impose penalties upon commercial banks that violated regulatory requirements or to initiate the revocation of their license.

In addition to caveats and ambiguities regarding the implementation of such measures,[93] though, there were always reasons to doubt the likelihood of such adversarial steps: First, while concerns about a "revolving door" between the regulator and the commercial banks are hardly unique, especially in Angola the situation in this regard has been rather extreme: To name but a few examples, Mário Palhares resigned from the BNA leadership to co-found BAI in 1997, BAI's initial president Aguinaldo Jaime subsequently became BNA governor, and former BNA governor Sebastião Bastos Lavrador acquired stakes in Banco Sol, Banco BIC, and Banco Comercial de Huambo (BCH) after the end of his tenure.[94]

Second, and more importantly, decisive regulatory intervention would also have required a high degree of political independence in light of the profile of many of the bank's shareholders, which was questionable in both countries. In part, this was due to the appointment of central bank governors by the executive: In Mozambique, this position was held from 1991 to 2006 by Adriano Maleiane, who had a reputation for personal probity but was also a prominent member of Frelimo (and subsequently appointed Minister of

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[92] The latter point was however questioned in Mozambique by a major payment system outage in late 2018. See Nhamire, Borges, and Matthew Hill, "Mozambique Banking Outage Wreaks Revenue Havoc for Business", Bloomberg, 19 November 2018.

[93] In Mozambique, according to the framework in place by 2003, a license could only be revoked with the approval of the Ministry of Planning and Finance, see IMF, "Republic of Mozambique: Financial System Stability Assessment", IMF Country Report 04/52, March 2004, p. 18-19. In Angola, the 2005 Financial Institutions Law (13/05, Art. 120) suggested that the BNA had this authority, but the new 2015 Financial Institutions Framework Law (12/2015) clarified the establishment of terms and conditions for the application of resolution measures as a responsibility of the executive branch, see Mayer and Sousa Rodrigues 2017.

[94] U.S. Senate, "Keeping Foreign Corruption out of the United States: Four Case Histories", 4 February 2010, Expansão 2017.

Finance). Angola's BNA has seen a greater number of changes in leadership (the longest tenure since 2002 has been the one of Amadeu Maurício, from 2002 to 2009), but its governors have also invariably been MPLA cadres.[95] More generally, a former senior BNA official openly admitted that "the regulator has fear of actually enforcing rules" due to the political clout of most bank's shareholders,[96] while the 2003 Mozambican FSSA also noted the need to "ensure that BM operates without government interference" and to "provide legal protection to BM and its staff."[97] It should therefore not come as a great surprise that progress was discernibly slower in areas where stricter regulation would have meaningfully constrained the room of manoeuvre of the commercial banks, such as the enforcement of prudential requirements or anti-money laundering rules. Especially during the early reconstruction period in both cases, serious lacunae in these areas were revealed in a series of incidents.

In Angola, concerns about the weak implementation of anti-corruption and anti-money laundering (AML) measures came to a head in 2010 with the publication of a OECD Financial Action Task Force (FATF) statement, which identified Angola's deficiencies in this regard as a "risk to the international financial system", placing it on a short list of serious offenders worldwide.[98] In the same year, a scathing U.S. Senate report also admonished global bank HSBC over the lax handling of its relationship with BAI, highlighting the latter's obfuscation of its shareholder structure and lack of AML policies

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[95] Emblematically, in 2016, both BNA governor Valter Filipe and the head of the Capital Markets Commission CMC, Archer Mangueira (shortly after promoted to Minister of Finance), were chosen to be members of the MPLA central committee – see Rosado de Carvalho, Carlos, "Assim não, Drs. Valter e Archer", Expansão, 18 August 2016.
[96] Interview, Luanda, June 2017
[97] IMF, "Republic of Mozambique: Financial System Stability Assessment", IMF Country Report 04/52, March 2004, p. 29.
[98] Financial Action Task Force, "Public Statement - February 2010", available online at http://www.fatf-gafi.org/countries/d-i/ecuador/documents/fatfpublicstatement-february2010.html, accessed 31 January 2018.

and procedures.[99] Although reforms were adopted in response to these external pressures after 2010, the issue has remained a considerable headache for Angolan banks, as international banks increasingly decided that the rewards of supplying Angolan institutions with correspondent banking services in US Dollars were no longer worth the risk of facing penalties in their home jurisdictions.[100]

The consequences of weak prudential regulation and the lack of a rules-based crisis management framework came to light a few years later with the implosion of BESA in 2014, despite the adoption of an array of regulatory measures over the preceding years.[101] Following its rise to the position of one of Angola's largest lenders over the preceding decade, BESA's loan book had reportedly grown to more than US$ 8 billion by that point, with a ballooning loan-to-deposit ratio of almost 180 percent (more than three times higher than the otherwise low sectoral average).[102] Along with allegations about several billions of dollars of loans for which the debtors could not even be identified, Portuguese newspaper *Expresso* revealed that a US$ 5.7 billion state guarantee had already been extended to the bank in late 2013, reportedly at the insistence of the Presidency.[103] As noted, BESA's Angolan shareholders included firms owned by well-known regime insiders at the highest level. Although these firms made a point of publicly demanding answers about the bad loans from the bank's CEO, the state guarantee was therefore widely interpreted as a move to protect these politically important shareholders at the expense of the state budget, if not to effectively bail out BESA's borrowers. Moreover, concerns were raised about the opaque

[99] U.S. Senate, "Keeping Foreign Corruption out of the United States: Four Case Histories", 4 February 2010. In a different section, the report also detailed alleged attempts of BNA governor Aguinaldo Jaime in 2002 to transfer BNA funds into a private account abroad.
[100] See also Africa Confidential, "Closing the laundries", 3 December 2010.
[101] See also IMF, "Angola: Financial System Stability Assessment", Doc. SM/12/158, 27 June 2012, p. 26ff; Viegas de Abreu, Ricardo, "Angolan Banking Sector: The path to global integration", Presentation at the Blavatnik School of Government, Oxford, 24 January 2017.
[102] Ferreira, Cristina, Luis Villalobos, and Paulo Pena, "Derrapagem do BES Angola não parou com saída de Álvaro Sobrinho", Público, 18 December 2014.
[103] Laxmidas, Shrikesh, and Pascal Fletcher, "In BES saga, the Angolan connection emerges from silence", Reuters, 18 July 2014.

fashion in which BESA was restructured, including the entry of Sonangol and of a hitherto unknown firm called Lektron S.A. into its shareholding structure.[104]

In the course of a concerted reform effort after 2009, when a rapid depletion of foreign exchange reserves drove home the country's limited capacity to deal with large-scale financial sector calamities, Angola addressed some particularly acute risks to financial stability, such as the prevalence of dollar-denominated loans,[105] and updated its regulatory framework in line with international standards.[106] This included a belated implementation of many of the international Basel Core Principles for effective banking supervision, with which Angola had hitherto engaged half-heartedly at best since the reorganisation of its banking sector in the early 1990s.[107]

Corresponding to these requirements, banks have increasingly had to commit resources to the improvement of their governance, risk management, and compliance systems, an area in which there had previously been "no reform drive from within the banks themselves."[108] Indeed, some sector participants believe that the reform effort has gone too far – one senior banker stressed the "need to work with the local environment", and warned that hardly any loans to the private sector would ever have been made if exigent rules had been in place from the beginning.[109] But gaps in the implementation of these rules are widely acknowledged, [110] and there are still hardly any tangible examples of the BNA

[104] Reuters, "Angola brings oil firm Sonangol into local BES bank", 10 October 2014; Africa Confidential, "Good banks from bad", 12 May 2014.
[105] BNA 2014.
[106] Viegas de Abreu, Ricardo, "Angolan Banking Sector: The path to global integration", Presentation at the Blavatnik School of Government, Oxford, 24 January 2017.
[107] IMF, "Angola: Financial System Stability Assessment", Doc. SM/12/158, 27 June 2012; Engebretsen and Soares de Oliveira 2019.
[108] Interview with senior executive of international accounting firm, Luanda, June 2017. See also Wallace, Paul, "Angolan Banks Learn from their Excesses", The Banker, May 2014.
[109] Interview, Luanda, June 2017.
[110] As the CEO of BESA put it in 2012, "It may only be possible to implement around 50% of laws but we are working hard to increase this rate every year." Sobrinho, Alvaro, "Policies and Practicalities: Angola's Business Environment". Presentation at Chatham House, London, 12 July 2012.

enforcing them in a case that genuinely touches upon the interests of bank shareholders.[111] For the period under scrutiny in this study, in any case, it can hardly be characterized as a regulator whose independence imposed any meaningful constraint on discretionary elite control over the banking sector.

In Mozambique, the capacity building priorities of the FSCB project similarly encountered the realities of a politicised environment. As noted, irregularities in the distribution of credit at BCM and BPD had already emerged at an early stage of their restructuring. Remarkably, the new owners after their 1996/97 sale also did not insist on these issues being fully resolved or even properly established in the course of their takeover, and the situation only deteriorated until an escalation in the early 2000s. Some elements of these affairs have never been entirely investigated, but what has reached the public domain has largely been documented elsewhere, notably thanks to the efforts of Joseph Hanlon.[112] Given limitations of space, the discussion in this section focuses on the role of BM, while the question who benefited from the fraudulent activities and loose lending of this period is picked up again in the next section.

Some of the schemes through which money was siphoned from Mozambique's banks in the early post-war period were outright fraudulent. For example, approximately 144 billion meticais (more than US$ 13 million, which must be seen in the context of the impoverished Mozambique of the 1990s) were stolen from BCM shortly before its privatisation through the use of falsified cheques, with the assistance of a branch manager. Due to the criminal character of these cases, they fell into the ambit of the justice system, and BM did not have a prominent role in the debates around them.

[111] In January 2019, the BNA revoked the licenses of Banco Postal and Banco Mais due to their failure to meet updated capital requirements, notable given the involvement of José Eduardo dos Santos' son Danilo in the former and of associates of his other son José Filomeno in the latter. See Verde, Rui, "Banco Mais, Banco Postal, e muro de lamentações", Maka Angola, 14 January 2019.

[112] Hanlon 2002; Hanlon 2001. See also Fauvet and Mosse 2003, Ch. 23, for an account of the investigations of Carlos Cardoso, who was assassinated before he was able to reveal further details.

Yet, much of the financial trouble facing BCM and Banco Austral in the early 2000s was also simply due to imprudent lending. Audits in 2001 showed that non-performing loans had accrued to 33 percent of the entire credit portfolio of BCM, and to 31 percent in the case of Austral. The Banco Austral audit, carried out by accounting firm KPMG at the insistence of BM, was in itself revealing of the regulator's failure to collect and evaluate audited financial reports in the preceding years and, to the extent that it may still have been aware of problems at the bank, to follow through on its supervisory responsibilities. The observations of a 2001 FSCB project evaluation were consistent with this picture, noting that "the BoM itself created a core cadre of bank supervisors to carry out on-site bank examinations, but the BoM was not able to enforce the recommendations arising from these examinations."[113]

Nevertheless, the move did also indicate a newfound degree of regulatory assertiveness, which was corroborated by a BM intervention at Banco Austral following the return of SBB's shares to the government. The circumstances of the latter development had supported suspicions of politicised lending: Simultaneous to SBB's exit, an anonymous note on behalf of its staff had been distributed to the local press, lambasting the repayment culture in Mozambique, "in particular the elite," and listing various debtors by name, including the owners of Invester themselves.[114]

A BM-appointed interim board around chairman António Siba-Siba Macuácua, previously BM director of banking supervision, subsequently attempted to investigate and recover the overdue loans. Notably, this activism was seemingly not a response to pressure from donors, who maintained such a low profile on the matter that some critics vocally questioned their commitment to the fight against corruption as opposed to the perpetuation

[113] World Bank, "Implementation completion report on a credit in the amount of US$9 million to the Republic of Mozambique for a Financial Sector Capacity Building Project", Doc. 23372, 21 December 2001, p. 7.
[114] Hanlon 2002, 68.

on an untainted “Mozambican success story.”[115] Under the new leadership, the bank made several repossessions and also published a long list of debtors in one of the national newspapers, although the conspicuous absence of any members of government or senior party officials on that list was met by commentators with incredulity.[116]

Either way, events took a violent turn when Siba-Siba was murdered in the bank’s headquarters in August 2001. Subsequent failure to resolve this case or to even bring it to trial fostered intense rumours regarding its political dimension.[117] However, how exactly to interpret the political significance of these events is not entirely clear: If the authors of the assassination indeed enjoyed political protection, the fact that they saw a need to resort to such a blunt act in the first place could either suggest that Siba-Siba was indeed acting with considerable autonomy, or that there were frictions within the ruling elite that hindered a “quieter” resolution of the issue.

On the whole, the latter interpretation appears more plausible, given that several high-profile Frelimo figures such as Finance Minister Luísa Diogo had publicly positioned themselves in favour of the BM intervention, while other senior individuals had displayed a preference to simply close the bank.[118] Also taking into account the ad-hoc and unconventional character of the intervention, the entire episode appears less of an instance of regulatory independence within well-defined institutional boundaries than as a manifestation of a broader political struggle in the background. This point is further developed in the conclusion of this chapter, and more fully discussed in Chapter Six in conjunction with observations from the other issue areas under consideration.

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115 Hanlon 2004.
116 AIM, “Austral bank names debtors”, 29 June 2001.
117 Melo, Thiago, “Impunidade após 15 anos da morte de Siba-Siba Macuácua em Moçambique”, Deutsche Welle, 11 August 2016.
118 Hanlon 2002, 68–69.

In the aftermath of these dramatic events, regulatory reform proceeded with a renewed impetus, complemented by a professionalization of internal governance at the larger banks following their transition into foreign ownership. While the closure of Credicoop in December 2002 at the BM's initiative signalled a more assertive stance,[119] the 2003 FSSA still warned that "Mozambique has a long way to go towards achieving the goal of meeting the general preconditions for effective banking supervision." The report listed an array of deficiencies, ranging from deviations from international accounting and auditing standards and an "inadequate" AML framework to BM's general hesitation to take remedial actions.[120] From the vantage point of 2017, in contrast, an executive at one of the major banks argued that in retrospect, Mozambican banking had "moved quickly from a basic compliance situation to following the main global trends" in regulatory matters.[121] This assessment was also broadly shared by the 2009 FSSA.

Despite its emphasis on the "significant progress" that had been accomplished, though, the latter report also noted the BM's persistent reluctance to take corrective action: For example, "supervisors have allowed a small bank to continue operating although it has been in financial distress for a long time; similarly, no corrective actions have been taken with respect to other small credit institutions whose credit portfolio is of poor quality. Even though these institutions are not systemically important, BM's inability or unwillingness to act decisively raises questions about its credibility."[122] As the smaller banks were at this stage precisely the part of the banking system where politically exposed ownership remained common, these observations are indicative of the limitations to regulatory

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[119] AIM, "Mozambique: Bank goes bankrupt", 21 December 2002.
[120] IMF, "Republic of Mozambique: Financial System Stability Assessment", IMF Country Report 04/52, March 2004, p. 26.
[121] Interview, Maputo, December 2017.
[122] IMF, "Republic of Mozambique: Financial System Stability Assessment", IMF Country Report 10/12, January 2010, p.1.

independence that still persisted in Mozambique at the end of the period under scrutiny in this study.

In sum, neither the Angolan banking sector nor its Mozambican counterpart featured genuinely effective and independent regulatory oversight throughout the respective periods under consideration here. This meant that the owners and management of banks, whose characteristics were explored extensively in previous section, largely enjoyed a free hand in matters such as the allocation of credit, the acceptance of customers, or the execution of transactions. The final section of this chapter will now explore the implications of this situation with regard to patterns of access to financial services, and specifically credit, in both countries.

Financial inclusion and access to credit: Scarce for most, abundant for some

The ubiquity of bank branches in the capitals Luanda and Maputo conveys the impression of vibrant and rapidly developing financial sectors, and there can be no doubt that at least for the more affluent segments of the population living in urban areas, access to financial services has improved significantly over the years.

Yet, many customers make occasional deposits and withdrawals at best, and a large share of both countries' populations still does not use formal financial services at all. According to Angolan banking association ABANC, by 2013 58 percent of adults were banking customers,[123] while the World Bank reports that only 29 percent of people aged 15 years and above had a bank account as of 2014.[124] Levels of financial inclusion in Mozambique have been even lower: In 2009 only 13 percent of the adult population were considered formally banked, by 2014 this number had risen to 24 percent.[125]

[123] ABANC 2014, 61.
[124] World Bank, "Financial Inclusion Data/Global Findex: Angola", available online at http://datatopics.worldbank.org/financialinclusion/country/angola, accessed 29 January 2018.
[125] FinScope 2015, 30.

Of those considered formal banking clients in both countries, only a fraction is able to access credit, which has mostly been offered at prohibitive rates. Some of the structural reasons for this situation resemble those encountered in many other developing country contexts: Bankers and sector experts consistently highlight factors such as the lack of applicants' credit histories, the difficulty of enforcing the recovery of collateral through the court system (if it can be provided in the first place), and, in the case of firms and businesspeople, the dearth of projects underpinned by credible business plans.

Especially in the Mozambican case, these issues were exacerbated by persistent macroeconomic instability in terms of inflation and exchange rate fluctuations, due to which nominal lending rates of almost 25 percent in 2006 at least briefly translated into real rates of less than 10 percent.[126] Moreover, credit to consumers and the private sector has also in both cases been crowded out by the availability of lucrative opportunities in areas such as short-term currency operations, trade finance, and, in particular, state financing through government bonds and treasury bills. Transformation ratios (i.e. the sector-wide ratio of loans to deposits) in the two countries accordingly hovered around 50-60 percent during the respective periods under scrutiny, which is significantly below regional benchmarks.[127] Angolan and Mozambican banks do have resources at their disposal (with deposit-to-GDP ratios in line with cross-country benchmarks in Mozambique, and significantly exceeding those in the case of Angola), but they have used an unusually large share of these resources for other purposes than the granting of loans.[128]

Official commitments to improve financial inclusion and corresponding initiatives have been present in both countries, although persistent donor emphasis on this issue has rendered the microfinance and concessional lending sector significantly more visible in

[126] Nathan Associates 2007, 60.
[127] IMF, "Republic of Mozambique: Financial System Stability Assessment", IMF Country Report 10/12, January 2010; Deloitte 2015.
[128] Castel-Branco and Massarongo 2015.

Mozambique. In Angola, though a larger number of microcredit institutions are registered with the BNA, only a handful seem to be active at any significant scale. BAI has a microfinance arm (BAI Micro Finanças) that reportedly disbursed more than US$ 50 million between 2007 and 2011; Banco Sol also classified about US$ 7.5 of its loans granted in 2014 as microcredit. KixiCredito is the only significant microfinance institution not linked to one of the commercial banks, having been created at the initiative of the NGO Development Workshop.[129] In addition, there have been several state-funded programmes either executed directly through the state banks BCP, BDA, and BCI, or in the form of state subsidies and guarantees to facilitate private commercial lending to SMEs. However, as one banking executive commented with regard to the subsidised loan programme "Angola Investe", "banks had to be forced by the government to lend to this kind of firms […] there are very few competent entrepreneurs." He also estimated that 70 percent of loans extended through the programme at his bank were non-performing.[130]

In Mozambique, the range of organisations and projects committed to financial inclusion and SME lending, often with donor and NGO involvement, is too large and complex to be considered in detail here.[131] Despite unquestionable accomplishments, sector experts and people working in these organisations were, however, consistent in noting a degree of disillusionment regarding the transformative potential of such initiatives. In particular, this concerned the lack of impact in rural areas, as well as the difficulty of promoting genuinely entrepreneurial projects as opposed to the very basic commercial activities dominating the urban informal sector.[132]

[129] Karim et al. 2011; Banco Sol 2015.
[130] Interview, Luanda, July 2017. See also Chambassuco, Martins, "Angola Investe praticamente parado aprovou cinco projectos nos últimos seis meses", Expansão, 4 August 2016.
[131] For an overview of the situation in the mid-2000s, see De Vletter 2006. For recent initiatives, see the website of the UK-funded Financial Sector Deeping programme, www.fsdmoc.com.
[132] Interviews with financial sector experts, Maputo, October and November 2017.

In organisations focusing on much more ambitious ventures and accordingly drawing upon significant funding volumes, the issue of politicised credit has also been salient, although this is an area in which donor oversight seems to have made a difference. For example, the head of Gapi, a major development finance institution started in the late 1980 with involvement of the German Friedrich Ebert Foundation, noted how the "disaster" of the CCADR (discussed above) had instilled an awareness of the need for "good fences" against political interference early on, especially given the participation of BPD and, initially, the National Institute for the Development of Local Industry (IDIL) as initial shareholders.[133] As a result, donor representatives remain closely involved in the operational management of its projects to the present day.[134]

Despite the comparatively low transformation ratios noted above, the amount of lending to the private sector and to individuals that has taken place in both countries is by no means negligible. Following several years of double-digit growth, the volume of bank loans in Mozambique granted reached 25 billion Meticais in 2006 (approximately US$ 1 billion at the exchange rate at the time).[135] Roughly the same amount of time after the respective end of the war, in Angola this metric reached 3.16 trillion Kwanza in 2014 (equivalent to approximately US$ 30 billion at the official exchange rate at the time).[136] These growing loan volumes also included some highly visible instances of large-scale lending especially in Angola, where a consortium of domestic banks for instance provided a (state-guaranteed) loan of US$ 210 million to the sugar and ethanol enterprise Biocom in

[133] Interview with Francisco Souto, CEO of Gapi, Maputo, November 2017. IDIL eventually did not become part of the shareholding structure when the organisation was incorporated in 1990. Related points regarding the "political function" of early SME promotion efforts were raised by a former IDIL official, interview, Maputo, December 2017.
[134] Interview with consultant, Maputo, December 2017. For the contrasting experience of a government-administered fund, see Orre and Forquilha 2012.
[135] KPMG 2006, 7.
[136] KPMG 2015a, 10.

2014.[137] While one may question the developmental potential of the real estate sector, this is another area in which lending by domestic banks has clearly fed into significant local investment, leading to a veritable boom in Angola in the years up to 2014 that was more recently replicated to some degree in Mozambique.[138] Related to the latter point, both countries have also seen the emergence of a household loan and mortgage market accessible to more affluent customers, especially those who can prove employment in the civil service or a state-owned enterprise.[139]

The point here is not to extoll the volume and scope of this lending or to uncritically celebrate its impact.[140] In addition to its focus on trade and real estate activities at the expense of sectors such as industry and agriculture, credit has undoubtedly been concentrated in an exceedingly small circle of clients. As of 2003, for all but one Mozambican bank the three largest borrowers accounted for more than half of their total loan book; in 2008 some of the smaller banks still had more than 85 percent of their loans concentrated among 20 clients.[141] For Angola, accurate figures are more difficult to obtain, but a senior BNA official interviewed by Ricardo Soares de Oliveira suggested in 2009 that "about 85% of Angolan credit goes to two hundred or so clients."[142]

Especially in Angola, the issue of capital flight is also highly salient, as the country is one of Africa's four largest sources of flows abroad.[143] But in this context in particular,

[137] Lopes, Ricardo David, "Estado dá garantia soberana à Biocom para crédito de 210 milhões USD", Expansão, 4 November 2014.
[138] Pitcher 2017b, 15.
[139] Centre for Affordable Housing Finance in Africa 2017, 63ff., 195ff. To put this into perspective, Mozambique's mortgage loan-to-GDP ratio by 2014 stood at 0.91 percent, which is very low by any standard. On housing finance in Angola, see also Pitcher 2017b, 13ff.
[140] As forcefully argued for the Angolan case by Ferreira and Soares de Oliveira 2018. In 2014, 25% of bank credit in Angola went to construction and real estate activities, more than twice as much as manufacturing and agriculture, see KPMG 2015a, 11.
[141] IMF, "Republic of Mozambique: Financial System Stability Assessment", IMF Country Report 04/52, March 2004, p. 13; IMF, "Republic of Mozambique: Financial System Stability Assessment", IMF Country Report 10/12, January 2010, p. 20.
[142] Quoted in Soares de Oliveira 2015b, 138.
[143] Kar and Curcio 2011.

it remains important to stress that the role of Mozambican and Angolan banks has been more complex than simply to serve as a conduit for the transfer of elite assets abroad. Their growth and proliferation has enabled enhanced access to at least basic financial services to a segment of the public, and – however politicised and exclusionary – allowed a group of newly minted domestic capitalists to finance their business ventures. As already noted above and further discussed in the next chapter, the early loans from domestic banks that were used by Mozambicans and Angolans to participate in the respective privatisation processes merit particular attention in this context, but the general logic applied throughout the reconstruction period.

Indeed, against the backdrop of the generally conservative position of Angolan and Mozambican banks on the issue of credit provision, the instances of imprudent lending discussed in the last section stand out particularly starkly, highlighting the importance of "unconventional" forms of access to capital in otherwise credit-scarce environments.

In Angola, the assumption that BESA's lending overwhelmingly benefitted a narrow and politically connected constituency is so widespread that BNA governor José de Lima Massano felt compelled to assure parliament that "we didn't identify elements indicating any favouring of credit to specific citizens or entities, […] We have debtors here from all levels."[144] Similar allegations resurfaced in 2016, when the government announced the creation of Recredit, a "bad bank" initially set up to restructure non-performing loans at BPC, whose mandate was subsequently broadened to cover the entire Angolan banking system.[145] While financial sector executives welcomed the creation of a more institutionalized crisis resolution framework as well as the "oxygen" that Recredit would

[144] Laxmidas, Shrikesh, and Pascal Fletcher, "In BES saga, the Angolan connection emerges from silence", Reuters, 18 July 2014. While no extensive list or analysis on this matter has reached the public domain, Expresso claimed that BESA's borrowers included figures like the Vice-President of the MPLA and Marta dos Santos, the President's sister. See Expresso, "Angola reabre investigação ao BESA", 17 April 2016.
[145] Agencia Lusa, "Criação da Recredit em Angola é positiva mas risco continua elevado, diz Moody's", 13 August 2017. Recredit was created under the auspices of the Ministry of Finance, rather than the BNA.

provide while the sector was undergoing restructuring,[146] critics highlighted the conspicuous concentration of bad credit in banks with state participation (BDA and BCI were facing similar problems)[147] and the suspected bailout of political insiders. As such, sources cited by Africa Confidential claimed that BPC's Paixão Junior had used "loans to the elite" to build "a vast network of influence," and that credit to political and military figures had been extended without expectation of repayment and requirements for collateral.[148]

In the Mozambican case, the record regarding the scandals surrounding BCM and Banco Austral unfortunately remains patchy. However, while some of the available evidence may question the notion of a carefully and centrally orchestrated distribution of resources, it also clearly does not suggest a situation of disorderly "free-for-all" corruption.[149] Even with regard to the major BCM fraud case mentioned above, which was presented as a case of individual wrongdoing, several commentators at the time questioned how a fraud of this scale could possibly have gone unnoticed by senior management (the BCM board member responsible for accounting at the time was the government-appointed Teotónio Comiche). Moreover, the initial investigation of the case was lacklustre – while this was later attributed to the personal corruption of a key state attorney, the government also showed little eagerness to actively advance the inquiry and swiftly replaced the stolen amount, arguably reducing incentives for its recovery.[150] On the other hand, when investigations into the issue did gain traction, this was ironically thanks to a parliamentary

146 Interview with senior executive of accounting firm, Luanda, July 2017.
147 See also IMF, "Angola: Financial System Stability Assessment", Doc. SM/12/158, 27 June 2012.
148 Africa Confidential, "The bad loans bite back", 6 January 2017; Africa Confidential, "Bank scandals hit MPLA hard", 31 March 2017.
149 See also Gray 2015.
150 Fauvet and Mosse 2003, 312ff.

intervention of Eneas Comiche, Teotónio's brother, undermining the impression of a Frelimo consensus to permit this illegal appropriation of resources.[151]

Regarding Mozambican banks' imprudent lending during the 1990s, the widespread assumption that this was driven by political motives rests on the government's ownership shares in these institutions at the time, its swift agreement to recapitalisations despite their disastrous fiscal implications (the government share of the 2001/02 recapitalisations amounted to 6 percent of GDP),[152] and, in the case of Banco Austral, the anonymous SBB letter and the circumstances of the Siba-Siba assassination. A banker interviewed by Joseph Hanlon also openly claimed that "Banco Austral was run politically. There were bad loans, letters of credit without cover, transfers of money to ministers, and many favours to people."[153]

While one may question whether this had a uniformly stabilising impact on Mozambique's ruling coalition, there are hence strong indications that irregular access to capital through BCM and Austral was not only an important factor during its first decade of economic reconstruction, but that this access was also to a significant degree politically mediated. Even though this avenue was largely shut down with the take-over of these banks by foreign investors and the subsequent professionalization of governance and financial reporting structures, it likely provided an important resource for the capture of economic opportunities by members of the country's ruling elite during a critical period.

In sum, the impact of post-conflict banking sector development in terms of access to financial services and capital has been less transformative than a cursory look at growth figures may suggest. In both countries, large swathes of the population remained entirely

[151] Hanlon 2002, 64.
[152] World Bank, "Project appraisal document on a proposed credit in the amount of SDR 7.3 million (US$10.5 million equivalent) to the Republic of Mozambique for a Financial Sector Technical Assistance Project", Doc. 33574-MZ, 3 November 2005.
[153] Quoted in Hanlon 2002, 72.

unserved by the sector, and credit was still very difficult to obtain for unconnected entrepreneurs at the end of the respective period under scrutiny. For middle-class segments of the public, the sector did acquire a certain enabling function that contributed to the general improvement of their material situation following the end of conflict, for instance through housing finance and consumer loans. More importantly, however, abundant access to credit (including through irregular means) for a small group of well-connected insiders decisively contributed to the establishment of a new, politically unthreatening class of entrepreneurs that came to dominate both countries post-war economies.

Conclusion

As demonstrated in this Chapter, the spectacular post-conflict expansion of banking in Angola and Mozambique was in both cases a highly political process, which was carefully managed by the countries' respective ruling elites.

With regard to patterns of ownership and management, in Mozambique, despite the World Bank's clear preference for a banking sector without direct state involvement, the outright shutdown of the state banks was averted. Following an initial attempt at restructuring they were privatised, but ruling elites nevertheless sustained control over the sector by initially maintaining state shareholdings, acquiring shares in a private capacity, getting involved in the founding of new banks, and taking senior management positions. All of this closely resembled developments in Angola, although directly statist strategies continued to play an even greater role in the latter case. Constraints on ruling elite discretion in terms of independent regulatory oversight remained limited in both countries, and neither prevented significant instances of theft, fraud, or money laundering, nor the proliferation of imprudent and apparently politicised loans.

These mechanisms of politically mediated access to capital were particularly important in a context of weak levels of financial inclusion and access to formal credit in both cases. In stark contrast to the abundant availability of credit to political insiders, in neither case did sector expansion significantly enhance access to credit for domestic entrepreneurs outside the circle of the ruling elite. In fairness, the banks' conservative lending posture was due to multitude of factors and not necessarily a result of deliberate policy choices, but it did ensure the domination of both countries' emerging private sectors by the politically connected elites that enjoyed (often irregular) access to capital during this critical phase. The transition of the former Mozambican state banks into foreign majority ownership during the 2000s arguably did lead to a qualitative divergence between the two cases in terms of discretionary political control, but even the heavily foreign-dominated sector that consolidated in Mozambique in the subsequent years was marked by a continuing high level of direct ruling elite involvement.

These observations closely correspond to the broader argument advanced in this thesis. In particular, it merits emphasis that neither in Mozambique nor in Angola, ruling elites' approach to the banking sector was marked by a general preference for financial repression. To the contrary, sector expansion was enabled and in many regards actively fostered, but within clear parameters of political control established through direct ruling elite participation in the ownership and management of banks, as well as through the avoidance of strong and independent sector regulation that left ample scope for discretionary intervention by the executive branch.

Arguing that these patterns are indicative of an approach geared towards longer-term regime consolidation is very different from suggesting that these choices were conducive to sustainable and inclusive development. The point is that the development of the banking sector contributed to an improved provision of financial services to crucial regime constituencies (in a general sense, urban, middle-class individuals frequently employed in the civil service, and in particular also potentially threatening groups such as veterans and military officers), as well as to the mobilisation of capital in support of the nurturing of a politically docile oligarchy. None of this detracts from the deeply exclusionary character of sector expansion, but it does amount to a major difference to a short-term elite resource grab.

The question of the success of ruling elites' strategies in terms of the consolidation of their hold on power is best addressed in a holistic fashion, as presented in Chapter Six. Nevertheless, especially the Mozambican experience of banking sector development does point towards some of the central challenges inherent in the approach of "controlled expansion." As such, external pressures for more rapid and far-reaching liberalisation led to a more competitive dynamic with regard to ruling elite participation in the sector, revealing factional rivalries and, at least to some extent, ostensibly genuine differences over policy within the ruling coalition in unusually stark fashion. Public disagreements among senior government figures and the violent escalation following the BM intervention at Banco Austral certainly contrast with Angola's far less conspicuous handling of similar matters.

Commenting closer to the time of these events, Joseph Hanlon analysed them through the prism of a deepening rift within the Frelimo elite, between a "predatory" faction that endorsed all forms of accumulation and a "developmental" faction committed to restoring integrity in the economy.[154] This narrative certainly also resonates among many Mozambicans and foreigners with memories of Frelimo under Samora Machel, which despite material hardships and certain heavy-handed practices is widely reminisced for the

[154] Hanlon 2002.

honesty of its economic management.[155] Still, as discussed more fully in Chapter Six, the reality is arguably less binary – individuals identified by Hanlon as representatives of the "developmental" Frelimo faction also accumulated considerable business interests over the post-conflict period, and the presidency of Armando Guebuza combined a rhetoric of reining in corruption with the promotion of serious enrichment within a small subset of the ruling elite around the President himself. As Orre and Rønning convincingly argue, "the factions that struggle for power within the party are separated less by different views of policy, only somewhat by ideology, but more about access to positions, resources and patronage power."[156] The approach taken to post-conflict banking sector development did not cause these factional dynamics, but it plausibly exacerbated them. That said, these centrifugal forces never reached a level that could break the unifying framework of the party.

In Angola, a stronger continuing reliance on a directly statist approach, also backed by a different level of financial resources at ruling elites' disposal, did not lead to such immediately visible challenges to the cohesion of the ruling coalition. However, the wealth accumulation partially enabled by the development of the country's banking sector quickly reached proportions which suggested that capitalists may in due course enjoy greater autonomy from continuing political support. Moreover, whether the constituencies that derived some degree of benefit from the improved availability of financial services would actually be substantially swayed towards reliable political loyalty was also hardly a forgone conclusion.

These reservations with regard to ruling elites' ability to durably consolidate their hold on power through post-conflict financial sector governance notwithstanding, the

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[155] Sumich 2008; Sumich 2010.
[156] Orre and Rønning 2017, 30. See also Macuane, Buur, and Monjane 2017.

chapter has clearly demonstrated the important parallels between the approaches adopted in Mozambique and Angola in this regard. These similarities prevailed despite considerable differences with regard to the circumstances under which financial sector development took place (notably in terms of very different levels of IFI involvement, donor leverage, and availability of domestic capital), and strongly correspond to the thrust of "controlled expansion" that is at the core of this study's argument. Both cases illustrate not just the exceptional degree of discretion afforded to ruling elites by the dominant positions they had acquired at the end of conflict, but also their efforts to leverage this position in order to promote a financial sector that was neither uniformly repressed nor solely geared towards the transfer of capital abroad, but that would actually serve an enabling function for a consciously circumscribed constituency.

Chapter Four: Initiatives to reinvigorate productive sectors

Although often important contributors to a country's economic performance in their own right, the relevance of the domains of infrastructure and financial services analysed in the previous chapters stems to a considerable degree from their role as enablers of economic activity in other sectors. Beyond a mere increase in economic activity as measured in aggregate GDP figures, a critical objective for most post-conflict countries in this regard is the reinvigoration of industry and agriculture, which combine significant employment potential and higher rates of value-add than the low-skilled activities that typically dominate such countries' service sectors.

How to best accomplish this aim, however, is subject to considerable debate among scholars and practitioners of development policy more generally, with different schools of thought offering diverging prescriptions.[1] In very basic terms, one polar end of the spectrum is represented by a heavily market-oriented position, which suggests that self-interested private entrepreneurs are best placed to identify and pursue promising business opportunities, inadvertently producing an efficient outcome at the aggregate level. Policy should therefore focus on the reduction of distortionary interventions and of the regulatory burden on private firms. On the other end of the spectrum is a position that seeks to accomplish desired outcomes through deliberate central planning and far-reaching state intervention, in the most extreme instances amounting to a state-led command economy. In between these two poles lie a variety of positions that combine elements of both, often suggesting a basic reliance on a private sector-led economy but also "industrial policy"

[1] For more detailed discussions of this debate, see Kohli 2004; Whitfield et al. 2015.

interventions such as the central provision of incentives for strategically important investments or the protection of fledgling industries against foreign competition.

Importantly, this is not merely a debate about optimal policy design from a technocratic perspective, but intimately related to the political economy concerns at the heart of this study. As such, successful efforts at invigorating productive sectors can make an important contribution to an expansion of the amount of resources and benefits that can be distributed to potential supporters, be it in the form of money extracted through taxation (see also Chapter Five) or in the form of employment opportunities. At the same time, the different policy options available in pursuit of this objective also entail different degrees of reliance on private capitalists, whose accumulation of wealth may turn into a potentially threatening basis of political power and influence. Moreover, they significantly affect the ability of ruling elites to exert control over politically salient business decisions, such as the location of major investments or the hiring and firing of large numbers of employees.

Against this backdrop, this chapter examines the approaches that ruling elites have adopted with regard to the promotion of productive economic activity in post-war Mozambique and Angola. The chapter shows that despite an ostensible divergence regarding the depth of regulatory reform and the prevalence of directly statist strategies, both countries exhibit important shared patterns in terms of an emphasis on large-scale projects with close political oversight. Although Mozambique witnessed a more far-reaching privatisation of state assets and greater efforts to actively promote private investment than Angola, in both cases the conditions for independent entrepreneurial initiatives remained very difficult. As a consequence, formal investment in productive sectors has been concentrated in a limited number of large projects often enjoying significant state support, and in many instances also featuring direct state involvement.

The private component of these projects was frequently constituted by foreign capital, although especially in the Angolan case typically in carefully orchestrated partnerships with a select group of domestic businesspeople closely connected to the ruling coalition. In Mozambique, a similar trend towards the deliberate promotion of a politically connected domestic business class proceeded primarily through the initial privatisation process, and later through the capture of linkage opportunities arising in the context of large-scale foreign investment. In both cases, the overall result was a mixed record in terms of the actual expansion of productive sectors, but a clear consolidation of the oligarchic structures already apparent in the previous chapters.

The chapter develops its analysis in four steps. Its first section provides a contextualization with regard to the state of affairs in productive sectors at the beginning of the respective post-war reconstruction process, also accounting for elements of both countries' broader capitalist transitions that had already been enacted at this stage. The second section outlines both governments' approaches to the reinvigoration of these sectors at a general level, highlighting key developments in the regulation of business activity and overarching investment promotion efforts. The specific dynamics and consequences of these efforts, especially with regard to the relations between successful economic actors and the political realm, are subsequently detailed in the third and fourth section through illustrations from industry and agriculture respectively. A final section concludes the chapter and summarises its observations from the vantage point of the study's overarching argument.

Economic conditions and state-business relations at the outset of reconstruction

When violent conflict drew to a close in Mozambique in 1992 and in Angola in 2002, both countries had already embarked upon the transition towards a capitalist economy. Still, their regulatory frameworks were in many regards in their infancy, and serious attempts to promote investment into productive sectors could mostly only be undertaken after the end of hostilities.

In both countries, there was in fact a legacy of industrial and advanced agricultural production, reaching back to a period of "developmental colonialism" through which Portugal had attempted to justify its continued presence on the African continent in the final decades before independence. In the early 1970s, manufacturing was considered the "most dynamic sector" of the Angolan economy and accounted for about a quarter of domestic economic output.[2] By the same year, Mozambique had developed into sub-Saharan Africa's sixth-most industrialized economy, although manufacturing and agricultural processing remained dominated by a handful of Portuguese conglomerates that were closely intertwined with the colonial governance apparatus.[3]

An almost complete reliance on Portuguese management and labour for anything but the most basic tasks meant that the settler exodus that both countries experienced after independence inevitably put the advances made towards economic transformation in jeopardy.[4] Efforts to reorganise the economy along socialist lines through the nationalisation and consolidation of enterprises exacerbated this problem in a context marked by a dearth of competent management.[5] Whereas Frelimo in practice exhibited a considerable degree of pragmatism especially before its official adoption of Marxism-Leninism in 1977,[6] the impact of these policies was particularly pronounced in Angola, where the "catastrophic decline" of the manufacturing industry was further accelerated by an ill-conceived import-substitution industrialization strategy in the 1980s.[7]

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[2] Ferreira 2002a, 251. See also Soares de Oliveira 2015b, 28.
[3] Warren-Rodriguez 2010, 270; Kyle 2013, 6.
[4] Soares de Oliveira 2015b, 27; Warren-Rodriguez 2010, 271.
[5] Pitcher 2008, Ch. 2; Kyle 2013; Ferreira 2002a.
[6] Cahen 1993; Pitcher 2003.
[7] Ferreira 2002a; Ferreira 2002b.

The only significant departure from the MPLA's doctrinaire economic programme of the early independence period occurred in the oil industry, which had gained significance after initial successful exploration efforts in the 1950s. Contrary to virtually all other parts of the economy,[8] this sector witnessed an astoundingly seamless transition in which the government secured the return of the US firm Gulf Oil's subsidiary Cabinda Oil Company, as well as of other foreign companies.[9] While the Portuguese-owned oil company ANGOL was nationalized, many of its employees were retained and the firm was effectively converted into the new Sociedade Nacional de Combustíveis (Sonangol), Angola's national oil company founded in 1976. Throughout the civil war, Sonangol would operate competently and pragmatically in its multiple roles as concessionaire, regulator, and tax collector, liberally using the advice of Western consultants (notably including US firm Arthur D. Little) when expedient. It thus successfully maintained the politically sensitive partnership with Gulf Oil and later Chevron while also quickly accomplishing a degree of partnership diversification, attracting Elf-Aquitaine into Angola in 1979.

This important exception notwithstanding, violent conflict in both cases further amplified the downturn of productive sectors. In Angola, especially agricultural activity was hampered by MPLA's limited ability to provide security in rural areas, which increasingly came under UNITA control. Meanwhile, Mozambique's Renamo deliberately targeted economic infrastructure and facilities as part of its destabilisation campaign,[10] causing an estimated US$ 15 billion worth of damage.[11]

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[8] There were also attempts to maintain an industrialised diamond sector, comprising the assumption of a controlling state interest in the colonial-era company Diamang (which cooperated with international company De Beers), as well as the creation of the wholly state-owned company Endiama in 1986. These attempts enjoyed, however, limited success due to the precarious security situation in the relevant geographical areas, and by the middle of the 1980s the diamond sector was increasingly marked by UNITA control and informalisation. See for example Pearce 2004; Le Billon 2001; De Boeck 2001.
[9] This paragraph draws strongly on Soares de Oliveira 2007.
[10] Vines 1991.
[11] Pitcher 2008, 104.

When conflict finally came to an end in Mozambique in 1992, seventeen years of war and destruction of productive assets had left the economy in a general state of disarray, with most state-owned enterprises and agricultural facilities in dysfunctional condition and large parts of the population in need of humanitarian emergency relief.[12] In terms of the economy's sectoral composition, approximately a third of the country's GDP stemmed from agricultural activities, while manufacturing accounted for 16 percent and various types of services for the remainder.[13]

Given the limited capacity of the Mozambican state, as well as its lack of funds to finance the rehabilitation of firms, a reasonably swift restoration of the formal economy was almost only conceivable through the mobilisation of private, and especially foreign, capital and expertise. In this vein, the country's 1990 constitution set out the general parameters of state and private business involvement in the economy. While casting the state as the "promoter and regulator of economic and social growth and development," it specified this role as implying the promotion of domestic entrepreneurs (especially including small and medium-sized enterprises) and also stated that foreign investment was permitted in all sectors, with the exception of a small number of sectors explicitly restricted to public ownership.[14]

Privatisation had also already begun in Mozambique during the late 1980s, but had thus far largely been limited to the sale of small state assets to domestic buyers – by late 1993, almost two thirds of industrial output were still attributable to the state.[15]

[12] Barnes 1998.
[13] The largest items within the service category were commerce with 15% and transport and storage with 12%. Author's calculations based on national accounts data from INE, available at http://www.ine.gov.mz/estatisticas/ estatisticas-economicas/contas-nacionais/anuais1/pib_optica_producao.xlsx/view
[14] 1990 constitution, articles 41, 43, 45. The areas reserved for public ownership were specified as (1) production of electrical energy; (2) public supply of water in urban centers; (3) postal services and public telecommunications; (4) development and operations of national parks; and (5) production, distribution and trade of arms and ammunition; see UNCTAD 2012, 63.
[15] World Bank 1995, xv.

Nevertheless, this early phase of privatisation, often involving war veterans benefiting from the politicised financing schemes discussed in the previous chapter, supported the growth of emerging capitalist interests, which had initially taken shape around the distinctive opportunities arising from wartime scarcity.[16]

Moreover, a group of *"ambiciosos"*, mostly managers in state-owned enterprises with aspirations of personal economic advancement, had become increasingly influential in pushing for conditions that would allow them to break into the small existing domestic capitalist class. The latter had hitherto largely consisted of entrepreneurs of European and Indian origin, some of whom had managed to survive the socialist era.[17] As Hans Abrahamsson and Anders Nilsson observed shortly after the end of the war, "one of the party leadership's concerns today is finding a form of privatisation that gives the directors of state enterprises an opportunity to establish themselves as private entrepreneurs in competition with the previous economic actors. This is necessary if Frelimo's political unity is to be maintained."[18]

In this context, Frelimo had also eliminated its restrictions on private business activities of party members in 1989, and increasingly openly advocated the active promotion of domestic capitalists. As Minister of Finance Abdul Magid Osman put it at an early stage of the reform process, "Mozambique needs an elite of entrepreneurs who feel that society values their importance."[19] The turn towards a private sector-led economy in Mozambique was certainly highly compatible with prevailing donor agendas at the time, and was supported from the outset especially by the World Bank, starting with loans for an

[16] Cramer 2009; Cramer 2006, 270–271; Hermele 1990, 36ff.
[17] Abrahamsson and Nilsson 1995; Pitcher 2003.
[18] Abrahamsson and Nilsson 1995, 77. As Carlos Castel-Branco and colleagues have observed, "domestic investors concluded that they could not outbid foreign investors in open tender but that foreign investors would wait until the peace. Therefore they pressed for more privatization before the end of the war. Many workers and managers supported them." Castel-Branco, Cramer, and Hailu 2003.
[19] Quoted in Hanlon 1991, 224.

Industrial Enterprise Restructuring Project (IERP) and a Small and Medium Enterprise Development Project approved in 1989.[20] But its drivers were in important regards domestic, and it is not adequately understood as a process that was externally imposed upon its ruling elites.[21]

In Angola, the time lag between the abandonment of socialism and the end of conflict was significantly longer than in Mozambique, resulting in a distinctive period of savage capitalism under wartime conditions that lasted throughout the 1990s.[22] Defining developments of this period included an opaque privatisation of state assets (albeit limited to around 400 mostly smaller assets, whereas the portfolio of larger SOEs remained largely intact),[23] considerable profiteering from opportunities arising from the conflict itself, as well as the exploitation of vast differentials between official and black market exchange rates by individuals enjoying access to foreign currency.[24]

In addition to the accumulation of wealth by various political and military figures, this period also witnessed the emergence of a small proto-capitalist class in the form of the so-called *empresários de confiança* ("trusted entrepreneurs"), who effectively enjoyed state-sanctioned import oligopolies justified with the supposed need of maintaining strategic reserves of basic goods.[25] These actors did, however, not embark upon any significant ventures in industry or agriculture – neither, for that matter, did Sonangol, despite a diversification of its activities into areas with sometimes tenuous links to the oil

[20] Landau 1998, 9; World Bank 1989.
[21] As cogently argued by Pitcher 2008, see especially chapters 3 and 4.
[22] Hodges 2003; Malaquias 2001.
[23] Ferreira 1994; Ferreira 1995. Most of these dubious privatisations occurred in the initial years before the UN-sponsored elections of 1992, ostensibly in a bid to ensure that members of the MPLA elite would still enjoy "continued ascendancy in case of electoral defeat" through ownership of economic assets – see Messiant 2007b, 100.
[24] Soares de Oliveira 2015b, 134–135; Ferreira 1995; Hodges 2003, 115–118.
[25] Aguilar 2003b; Vines, Shaxson, and Rimli 2005b, 10; Soares de Oliveira 2015b, 134f.

sector that turned it into the dominant player even in the comparatively small non-oil part of the economy.[26]

The same applies to the role of foreign investors, whose involvement had been facilitated through new legislation adopted in 1994,[27] as well as through the creation of an Institute for Foreign Investment (IIE) under the tutelage of the Ministry of the Economy and Finance in 1996.[28] Despite the severity of the conflict and the adverse macroeconomic conditions of this era (especially in terms of inflation), levels of foreign investment did rise to a considerable level of approximately 15 percent of GDP in the late 1990s. But with the exception of some smaller projects typically related to import activities and a few larger ventures such as an investment by Portugal Telecom into the national mobile phone network,[29] this remained overwhelmingly concentrated in the petroleum sector.[30]

Indeed, after a long period during which most of the country's oil production had been focused on the shallow water fields off the Cabinda and Soyo areas, by the mid-1990s technological advances had enabled the exploration of new deep-water territories further off the coast. A series of new discoveries subsequently led major oil companies including Elf, Exxon, and BP to scale up their presence in Angola, and precipitated a general surge of interest in the country as a new frontier location among oil companies across the globe.[31]

These developments were also reflected in the sectoral composition of the economy at the beginning of the reconstruction process: Even though the statistics for this period should be considered with a degree of scepticism, official figures indicate that the two big

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[26] Vines, Shaxson, and Rimli 2005a, 10. Examples include its interest in local logistics companies, air travel (Sonair), insurance, and telecommunication (Mercury).
[27] Law 15/94. While specifying a minimum investment volume of US$ 250,000 and thus enabling only relatively large projects, this law laid out a significantly more permissive stance on foreign investment than the previous framework, comprising for instance provisions for investor protection and the repatriation of capital.
[28] Decree 12 – C/96.
[29] Aguilar 2003b, 15; Hodges 2003, 138–139.
[30] Le Billon 2001.
[31] Shaxson 2009, 60.

sectors accounting for the lion's share of GDP in 2002 were oil and gas with 44 percent, and services (including the civil service) with 38 percent. Agriculture and fisheries were estimated to jointly account for 6 percent, whereas transforming industry contributed merely 4 percent, smaller than the construction sector with 5 percent.[32]

Given that various politically connected figures had been doing well out of the chaotic conditions and extreme import-dependence of the 1990s, and that growing petroleum revenues were clearly on the horizon, it was not necessarily obvious that the government would make an active attempt to improve conditions for private investment in productive sectors after the end of the war. However, the acuteness of Angola's fiscal situation provided an urgent rationale for macroeconomic stabilisation, addressing one of the biggest obstacles for more sophisticated projects. Moreover, a vision of "top-down, accelerated economic development" also clearly captured the MPLA elite's imagination,[33] drawing on ideological legacies from the socialist period but also corresponding to a more pragmatic awareness of the political necessity of at least somewhat broadening the group of beneficiaries from economic policy. While this agenda was in many regards fundamentally state-centric, it was understood that the envisaged post-conflict transformation would necessitate considerable participation of foreign corporate actors in particular.[34]

Finally, Angola's ruling elites were seemingly aware of the profitable opportunities that a more predictable and sophisticated economy would offer, as well as of the MPLA's ability to orchestrate this process from a hegemonic position. In subsequent years, this latter agenda was sometimes articulated in a strikingly open fashion, encapsulated in the non-ironical use of Marxist tropes like "national bourgeoisie" or "primitive accumulation" in

[32] CEIC 2016, 84.
[33] Vines, Shaxson, and Rimli 2005b, 2.
[34] For a discussion of the MPLA's development vision, see Soares de Oliveira 2015b, 79ff.

official rhetoric.[35] In sum, Angola thus required little external prodding to pursue a particular variety of politically controlled investment promotion in productive sectors.

Overarching reforms in the post-conflict period

Building upon the initial steps towards a capitalist economy initiated during the final years of war, Frelimo and the MPLA both pursued further regulatory reforms and related initiatives to facilitate and govern private investment into the productive sectors of the economy. The specific content of these measures had an important impact on the common characteristics of successful entrepreneurs and on their relations of power and influence with political elites, which remained fundamentally marked by the primacy of the latter.

In Mozambique, a centrepiece of the post-war reform process was the continuation and acceleration of the privatisation programme. Overall, privatisation in Mozambique involved more than 1,400 transactions, making it the largest programme of its kind in sub-Saharan Africa.[36] In addition to the technical and financial assistance already noted above, the World Bank did attempt to drive the process through policy conditionality, for instance making the privatisation of at least seven out of the country's fourteen largest remaining firms in state ownership by 1995 a condition for the disbursement of its Second Economic Recovery Credit (SERC) in 1994.[37] However, there was little indication that this conditionality genuinely had to be enforced in order to ensure progress – as a World Bank economist interviewed by Anne Pitcher observed, "of course, there is some element of force or bribery in the World Bank relationship with Mozambique, but Mozambicans never

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[35] Ibid., 141.
[36] Cramer 2001, 79.
[37] World Bank, "Report and recommendation of the President of the International Development Association to the Executive Directors on a porposed development credit in an amount equivalent to US$200 million to the Republic of Mozambique for a second Economic Rcovery Program", Doc. P-6337-MOZ, 18 May 1994, p. 35.

did anything they didn't really want to do […] There has to be an intellectual buy-in, which there was in Mozambique."[38]

The implementation of the privatisation process, conducted through various purpose-created units and procedures, also very much remained under the control of the Mozambican government. Ultimately, it was the latter that decided whether the sale of any particular firm would be subject to an open or restricted public tender, to a management and employee buy-out, or to a contracting out of management functions. For large SOEs, a Technical Unit for Enterprise Restructuring (UTRE) conducted studies on the status of each company and compiled investor prospectuses on that basis, under the oversight of an Inter-Ministerial Commission for Enterprise Restructuring (CIRE) that was chaired by the Prime Minister. The latter also appointed an Executive Privatization Commission (CEP) in charge of the evaluation and approval of bids, and in some instances Ministers also entered into direct negotiations with prospective investors.[39] Overall, the degree of high-level political oversight especially regarding larger transactions was thus significant.

Importantly, and contrary to the idea of an indiscriminate ruling elite suspicion against domestic capitalists, an important objective towards which this political control over the process was used was to turn the privatisation process into an instrument for the promotion of a select group of domestic entrepreneurs. This strategy was openly advocated by Frelimo, with Prime Minister Pascoal Mocumbi for example publicly arguing that "privatisation must be perceived as a special moment for nurturing the national entrepreneurial class, which in many cases is still at birth."[40] One particularly important measure in this regard was to permit domestic buyers of state assets to pay in instalments over a period of up to ten years. By early 1996, Mozambican investors had therefore

[38] Simon Bell, World Bank senior financial economist, quoted in Pitcher 2008, 130.
[39] Ibid., 132.
[40] March 1997 speech by Pascoal Mocumbi, quoted in Ibid., 135.

acquired enterprises valued at more than US$ 52 million according to the official sale price, but only made actual payments of around US$ 9 million. In a context of high inflation, this in itself constituted a very substantial subsidy.[41]

Although no systematic and detailed data is available on the background of the Mozambican buyers who benefitted from these arrangements, the perception that this process had a profoundly partisan character is widespread. As Christopher Cramer has argued, this was to a certain extent inevitable: "Given the country's history, if there was any intent to sell state-owned enterprises to people with experience and knowledge and some money, this would necessarily translate into beneficiaries being largely Frelimo members, but it does not translate into a complete conspiracy of the *nomenklatura* to take all such assets into their own private hands. Indeed, the majority of assets did not go to party 'bosses'."[42] At a minimum, though, it is hard to find any examples of businessmen with a known politically independent stance or even links to Renamo who acquired assets in this fashion, leading some observers to call for "more generosity to the losers."[43]

The ultimate impact of privatisation of existing state assets, both in terms of a reinvigoration of productive activity and in terms of the promotion of a domestic capitalist class, was limited due to a lack of supportive policy measures. As Carlos Castel-Branco has noted, "there were no specific policies and support mechanisms in place to help the rehabilitation and development of these firms. As a result, more than 40 percent of the firms went bankrupt within five years of privatisation; more than half of the remaining were traded for cash or shares or transformed into warehouses, and the state could not raise the expected additional revenue from massive selling of its property."[44]

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[41] Cramer 2001, 95–96.
[42] Ibid., 97.
[43] Hanlon 1996, 143.
[44] Castel-Branco 2014.

A notorious episode in this regard occurred in the cashew sector, where export restrictions on raw nuts were abolished at the behest of the World Bank shortly after a number of formerly state-owned processing factories had been sold to domestic investors. The result was an implosion of the domestic processing industry, which was unable to compete with Asian alternatives, and which was only slowly rehabilitated in subsequent years.[45] More generally, a successful incorporation of privatised assets into genuinely productive ventures mainly occurred in the context of large-scale projects with foreign participation and continuing state involvement, as discussed in further detail below.

In tandem with the acceleration of the privatisation programme, the general provisions regarding the relationship between the state and the private sector set out in the 1990 constitution were operationalised through an array of laws and decrees. Most importantly, the 1993 investment law[46] defined the approval processes for investment projects, as well as the incentives and fiscal benefits available to national and foreign entrepreneurs. This new legislation was accompanied by the transformation of the Office for the Promotion of Foreign Investment (GPIE), which had already been created during the 1980s, into the Centre for Investment Promotion (CPI) in 1994.

Despite its name, CPI was tasked not only with the attraction of investors, but also (and indeed primarily) with handling and approving investment proposals, irrespective of their foreign or domestic origin.[47] Following the compilation of an internal report by CPI staff, the actual approval was in the hands of an evaluation committee comprising senior officials of the relevant line ministries and the Bank of Mozambique.[48] Although obtaining this approval was not technically obligatory, it was required for investments to be eligible

[45] Cramer 1999; Cramer 2001; Pitcher 2008, 225ff.
[46] Law 03/1993. This legislation remained in place until 2009, when it was in almost all regards superseded by a new decree 43/2009.
[47] Pitcher 2008, 137.
[48] World Bank 1995, 58.

for incentives and, in the case of foreigners, to gain permission for foreign exchange remittances.

A corresponding code of fiscal benefits was also introduced in 1993.[49] The incentives specified in this code were very significant, allowing for a 50 percent reduction in company tax and complementary tax for up to 10 years in general, and for even more generous exemptions for investments in particular provinces and sectors. Moreover, additional provisions for special incentives in Special Economic Zones (SEZs) and Industrial Free Zones (IFZs) were introduced in 1998 and 1999 respectively.[50]

This investment approval and incentive regime was significant in its own right as an important catalyst for the emergence of a small number of very large investments that would come to dominate the Mozambican economy, as further discussed especially in the section on industrial development below. Moreover, it also created scope for the granting of discretionary benefits for projects that were seen as politically sensitive, for instance with regard to the co-optation of actors that were seen as potentially sympathetic to the opposition. As Joseph Hanlon observed during the mid-1990s, "Mozambique has always seen investment as political as well as economic. The red carpet has been rolled out for James Blanchard III, an ultra-conservative US businessman who was one of Renamo's main financial backers during the war. He has met several times with President Chissano and is being given high-level support for a major tourist project near Maputo which will include giving him the management of an important national park. Carmen Jardim, the daughter of Jorge Jardim who was important in colonial Mozambique and a major

[49] Decree 12/93.
[50] The fiscal benefits code was revised in 2002 (decree 16/2002) and again in 2009 (law 04/2009), following a series of analyses that questioned the cost-effectiveness of the incentives offered. For a comparative analysis of the different codes, see Nathan Associates 2009.

organizer of anti-government activity after independence, has also met with Chissano and been told she would have high-level support for investment projects."[51]

Echoing the attempt to promote domestic entrepreneurs in the course of the privatisation process discussed above, the 1993 investment legislation in certain regards deviated from its general emphasis on the equal treatment of nationals and foreigners. Most notably, while foreigners had to invest at least US$ 50,000 in order to be eligible for incentives, the minimum amount for domestic investments in this regard was set at US$ 15,000. While these provisions thus accorded a certain advantage to domestic entrepreneurs,[52] the World Bank also noted that more fundamentally, these minimum requirements had a substantial discriminatory effect against small businesses.[53]

The latter point did not necessarily reflect a universal neglect of this segment – indeed, several initiatives were set up to promote the creation and growth of small and medium-sized enterprises, often with significant donor support. As discussed in the previous chapter, these comprised several concessional lending schemes, which in many instances effectively functioned as grants due to very poor repayment enforcement. For example, by 1996, the default rate on loans extended through BCM and BPD and funded through the World Bank's Small and Medium Enterprise Development Project already exceeded 50 percent, and was expected to reach 90 percent once the grace period for the remaining loans had expired.[54] Some initiatives, such as the activities of the Institute for the Development of Local Industry (IDIL), also had a technical assistance and training component beyond the provision of capital.

[51] Hanlon 1996.
[52] In addition, the law left the government with considerable discretion to provide special treatment and support for projects by national investors, see Law 3/93, Art. 4.
[53] World Bank 1995, xiii.
[54] Landau 1998, 63.

However, an early report on these initiatives noted that "the performance of these institutions have [sic] fallen substantially short of expectations."[55] Besides a lack of funding as well as technical and managerial capacity, this was apparently also due to the strong susceptibility of these schemes to political instrumentalisation. As a former senior administrator of the Fund for Supporting Economic Rehabilitation (FARE), a scheme aimed at channelling privatisation proceeds into SME loans, recalled, "the idea was excellent […] but the problem was that decisions were not always made on a technical basis […] the institution served a political function."[56]

More generally, despite an ostensible effort to create a business-friendly environment in Mozambique, conditions for private entrepreneurship remained in many regards very difficult. Registration and licensing requirements for businesses of any kind were frequently criticised as excessive and marked by discretionary implementation; as a 1995 World Bank report noted, "even minor transactions require notarized signatures, special paper, and stamp taxes. Many, often repetitive steps, are required before firms can establish themselves and undertake business operations. A number of registrations, permits and licenses must be obtained from a variety of government agencies. These requirements frequently complicate entry and exit, and inhibit competition."[57] A comparative study of administrative barriers to investment in several African countries conducted in 2000 observed that "it is in Mozambique […] that the process of company formation was the most expensive, complicated, and prolonged."[58]

An official at the Ministry of Commerce and Industry interviewed for this study argued that this situation corresponded to the prevailing mind-set among businesspeople, and that many firms would actually have found it difficult to deal with a less bureaucratic

[55] De Vletter et al. 1995, 1.
[56] Interview, Maputo, December 2017.
[57] World Bank 1995, 55.
[58] Emery et al. 2000, 29.

environment: "This [emphasis on deregulation] comes from a context where the assumption is that if there is no specific regulation on something, it is allowed. But here, the assumption is that activities are only allowed if there is a regulation. […] Rules change faster than the mind-set, which is still closely related to the socialist era."[59] This perhaps also accounted for the approach taken by the CPI especially during the early years of reconstruction, when it arguably constituted "more of a hindrance than a help to potential investors" due to its focus on screening and oversight rather than the facilitation of proposals.[60] Even after CPI approval had been granted, investors still needed to complete seven different bureaucratic processes to actually realize their project, including the presentation of a "detailed technical study and environmental impact study to the relevant sectoral ministry for approval."[61]

An important consequence of this situation was that especially foreign investors came to regard partnerships with the state not as a burden, but as an advantage in navigating the complicated business environment, as illustrated by various prominent examples in the sections on industry and agriculture below. This dovetailed with Frelimo's manifest preference to retain at least minority government stakes in most of the larger firms involved in the privatisation process, in addition to the majority or full ownership stakes maintained in most utilities and infrastructure-related companies. Despite donor scepticism – as a former diplomat privy to the government's early privatisation plans commented, "this was basically socialism by another name, with 'Moz-this' and 'Moz-that' […] nothing that you and I would recognise as free market capitalism"[62] – the government persisted with this

[59] Interview, Maputo, November 2017.
[60] Stasavage 1999, 73. See also World Bank 1995, 57ff. Contrary to officials in many other institutions involved in business regulation, CPI officials did however not acquire a reputation for soliciting bribes.
[61] Stasavage 1999, 90.
[62] Interview, Maputo, November 2017.

approach, and ensured that by 2008 the Mozambican state was a shareholder in more than 130 companies, including 16 of the 25 most significant firms in the country.[63]

One immediate political benefit of this was the creation of well-remunerated board positions that were often taken up by senior Frelimo members. In the 1990s, some of these posts reportedly paid up to US$ 20,000 per month, which was certainly a non-negligible amount in the Mozambican context of the time and sometimes served as a springboard for further entrepreneurial ventures.[64]

Furthermore, especially in instances where the state retained large or even full ownership stakes, the government also preserved its ability to influence important managerial decisions with a view to its political priorities, notably the protection of the interests of particular regions and social groups – for example, Anne Pitcher has argued that job cuts at the national railway company CFM following its restructuring as a public enterprise were conspicuously concentrated in the central regions of the country, "where the ruling party has the least to lose politically" because most parliamentary seats were already held by the opposition anyways.[65] Finally, at a more general level, it allowed the government to maintain a "seat at the table" in strategic sectors, even if its direct, formal control over the economy was unquestionably diminished compared to the situation prior to privatisation.

If the retreat of the state from the economy took a highly conditional form in Mozambique, its role in Angola in some regards actually expanded after 2002, following a period of reduced activity during the last decade of conflict. After the initial wave of rapid and often disorderly sales of several hundred smaller firms during the early 1990s mentioned above, the privatisation process never genuinely gathered steam again. In its

[63] Pitcher 2012, 150–151. The list of "top firms" is based on a 2008 analysis by consultancy KPMG, based on criteria such as revenue growth, return on equity, liquidity, and revenue per employee.
[64] Cramer 2001, 98.
[65] Pitcher 2006, 101.

interactions with the international financial institutions during the early 2000s, the Angolan government indicated its intentions to reinvigorate the process, as well as to strengthen the agency in charge (Gabinete de Redimensionamento Empresarial, GARE) and to clarify the legal framework.[66] Approximately 90 companies were indeed slated for privatisation during the period 2001 to 2005, but no procedural reforms occurred and implementation remained limited. In the words of prominent Angolan business journalist Carlos Rosado de Carvalho, "there wasn't really any 'privatisation process' deserving that name."[67]

To the extent that privatisations took place, they were apparently still conducted under the Privatization Law of 1994,[68] which placed the choice of the mode of privatization and the negotiations in the hands of a committee nominated by the Ministry of Finance. The latter was also in charge of approving privatisations of small and medium-sized companies, while processes involving large companies had to be approved by the Council of Ministers. In practice, unclear procedures and perceptions of inadequately low bids continued to stifle the effort.[69] In the report on its 2004 Article IV consultations with the Angolan government, IMF staff simply noted that "privatization appears to have stalled."[70] A 2011 assessment by the head of the Institute for the Public Enterprise Sector (Instituto para o Sector Empresarial Público, ISEP) concluded that the 2001-2005 agenda had only been executed to a degree of 22 percent, and that the envisaged objectives of the programme were only genuinely accomplished in the sale of four large breweries.[71] Notably, of these

[66] Government of Angola, "Memorandum of Economic and Financial Policies", February 2001, available at http://www.imf.org/external/np/loi/2001/ago/01/, accessed 19 July 2018.
[67] Interview, Luanda, June 2017.
[68] Law 10/94.
[69] EIU 2002.
[70] IMF, "Angola Article IV Consultation 2004", IMF Country Report No. 05/228, July 2005, p. 11.
[71] CDI-MINEC, "Balanço do Programa das Privatizações", 30 November 2011, available at http://www.governo.gov.ao/VerNoticia.aspx?id=12696, accessed 15 March 2018.

four large companies, only one was privatised completely, while the state maintained small minority stakes tied to a "golden share" in the remaining three.[72]

As of 2014, there were still 91 state-owned enterprises in Angola, comprising a large number of utilities and infrastructure-related companies, but also firms in areas like agriculture, fisheries, industry, or construction. Assessments of the operations and performance of these companies are rendered difficult by the scarcity of publicly available information,[73] but the fact that in 2015 only 57 of these firms even submitted accounts to ISEP (as legally required) is rather indicative of certain deficiencies. This is not simply a matter of a lack of transparency for its own sake, but also makes it impossible for these companies to for instance access capital market financing, and suggests that they cannot be managed in any stringent fashion. As the Economist Intelligence Unit commented, "bloated, loss-making and inefficient SOEs have long been a heavy burden on the Angolan economy. A hangover from years of centralised Marxist rule, public companies are major employers and pension providers, and positions within them are regarded by many as a reward for loyalty to the ruling Movimento Popular de Libertação de Angola (MPLA). A handful of entities are entirely dormant but maintain payrolls, while many others have large numbers of ghost staff, and some departments and services exist only on paper."[74]

While basic provisions for large-scale foreign investment had already been in place in Angola since 1979 to ensure the functioning of the petroleum industry, a genuine framework for the governance of private investment was only established after the end of the war, especially through an array of relevant laws and decrees adopted in 2003.[75] An important element affecting both domestic and foreign investors was the passing of a new

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[72] Agencia Lusa, "Privatizações em Angola renderam 20,5 milhões de dólares desde 2001", 29 September 2005.
[73] Relatively detailed data is available for the year 2012, see ISEP 2012.
[74] EIU 2015.
[75] A more detailed overview of this legislation is provided in UNCTAD 2010.

Law on the Delimitation of Sectors of Economic Activity,[76] which specified a number of "state reserve sectors" in which private economic activity was either not permitted at all (absolute reserves), only with a controlling participation of the state (controlling reserves), or only through state contracting and concessions (relative reserves). Although at first sight quite long, the list of these reserves was largely limited to basic infrastructure provision, and absolute reserves were only established with regard to the production and distribution of weaponry, central bank functions, ownership of ports and airports, and ownership of basic telecommunications infrastructure.

Within these boundaries, a new Basic Law on Private Investment[77] sought to create equal conditions for domestic and foreign investors, which was also reflected in the adoption of a general Code of Fiscal and Customs Incentives.[78] The latter defined a range of priority sectors comprising agriculture, transforming industry, fisheries, civil construction, health and education, and infrastructure, and designated three geographical development zones as basis for the awarding of investment incentives (with greater incentives being awarded for investments in rural provinces). These incentives, however, were only applicable to investments exceeding a minimum level of US$ 50,000 (for nationals) or US$ 100,000 (for foreigners).

At the same time, another law specifically addressing domestic private investors[79] envisaged the active promotion of Angolan entrepreneurs through fiscal incentives, financial and technical support, special rights, privileges and guarantees, and support for the creation of professional training centres. While an UNCTAD analysis of the investment framework recognised the justifiability of such measures from the vantage point of promoting domestic business, it also noted the law's vagueness regarding the distribution

[76] Law 05/02.
[77] Law 11/03.
[78] Law 17/03.
[79] Law 14/03.

of competences in its implementation and its relationship to the provisions in the general incentives code,[80] thus creating another lever for discretionary intervention in the economy.

The task of handling investment proposals was handed to a newly created National Agency for Private Investment (ANIP), which eclipsed the IIE.[81] ANIP was granted direct approval competences for investments up to a volume of US$ 5 million, while investments exceeding this amount or falling into the area of controlling and relative reserves were subject to a separate contractual regime involving the Council of Ministers. Investments in the oil and financial sectors were also covered by separate legislation, which required approval by the executive branch.

While the latter provisions most clearly indicated the Angolan government's desire to maintain political oversight over large and strategically important private sector ventures, the competences granted to ANIP also hardly diminished this control. Besides the fact that the agency was controlled by a Board of Directors appointed through the Council of Ministers and reporting directly to the President, the position of its chairperson was also filled by two former government ministers until 2011 (first by Carlos Fernandes and then by Aguinaldo Jaime), and subsequently by the President's former wife, Maria Luísa Abrantes.

An early assessment for the Norwegian aid agency NORAD commended ANIP for having "recruited well-qualified people for its management, with extensive experience from international business."[82] In sharp contrast to this portrayal, several foreign businesspeople however characterised the institution primarily as a gatekeeper rather than a facilitator of private investment. In this context, one interviewee sarcastically described ANIP as an "investment deterrence agency,"[83] while another recalled a concrete instance

[80] UNCTAD 2010, 28–29.
[81] Decree 44/03.
[82] Bjerke 2004, 14.
[83] Interview with foreign banking executive, Luanda, November 2016.

in which ANIP leadership had allegedly attempted to insert specific Angolan businesspeople into a foreign investment project as local partners.[84] Besides the latter point, which points towards a defining characteristic of Angola's post-war political economy that recurs throughout the remainder of this chapter, the sheer duration of approval processes was also a frequent point of contention. In the words of an experienced consultant, "this could take six months during which nothing happened, investors were going berserk because it was their money that was being wasted."[85]

The outlined framework for private investment in Angola established in 2003 broadly remained in place throughout the period considered in this study. A short-lived revision of the Private Investment Law occurred in 2011, increasing the threshold for the application of investment incentives to US$ 1 million and redefining approval authorities (investments between US$ 10 million and US$ 50 million now required Cabinet approval, and investments exceeding US$ 50 million Presidential approval).[86] These changes were swiftly superseded in 2015 by another new Private Investment Law,[87] which partially reversed the increase of the minimum requirements for incentive eligibility (reducing them to US$ 500,000 for domestic investors). More controversially, the 2015 law also introduced mandatory Angolan shareholdings for investments in a range of sectors, including electricity and water, tourism, transport and logistics, civil construction, telecommunication and information technologies, and media. Against the backdrop of an economic downturn due to falling oil prices, this step provoked vocal criticism even among prominent Angolan businessmen, who highlighted that local investors did not have the necessary capital at their disposal and that projects would simply end up not going ahead.[88]

[84] Interview with foreign business representative, Luanda, October 2016.
[85] Interview with management consultant, Luanda, June 2017.
[86] Law 20/11.
[87] Law 14/15.
[88] Interview with José Séverino, President of AIA, Luanda, July 2017.

Finally, the law was also accompanied by an overhaul of the institutional framework (abolishing ANIP and distributing its competences to a newly created Agency for Investment and Export Promotion/APIEX and a Technical Unit for Private Investment/UTIP).[89] The basic logic of close political oversight over investment approval remained, in any case, fundamentally unchanged.

In contrast with the early and sustained attention to the governance of large-scale and especially foreign investment in Angola, efforts to improve the conditions for private entrepreneurship more generally, and small and medium-sized firms in particular, were pursued in a discernibly less vigorous fashion. An early pertinent measure in this regard was taken in 2003 with the creation of a one-stop shop for business (Guichê Único de Empresas, GUE), which aimed at streamlining the bureaucratic processes involved in the registration of firms.[90] As such, steps like the entry of a new firm into the commercial register, the announcement of registration in the state gazette, the allocation of a tax identification number, and the registration for social security purposes were unified in the GUE.

However, the World Bank's "Doing Business" report still portrays the Angolan process for starting a firm as one of the most cumbersome in the World, ranking it 174th out of 189 countries on this metric in its 2015 analysis. While the methodology behind this particular indicator is perhaps debatable (for instance, the survey counted several steps handled by the GUE on the same day as separate processes), it is noteworthy that Angola scores poorly almost across the board in this assessment, with an overall rank of 181st globally and particularly weak performance on "resolving insolvency" (189th), "enforcing contracts" (187th), and "getting credit" (180th).[91] While the latter issue has been explored in

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[89] Decree 184/15.
[90] Decree 123/03.
[91] World Bank 2014.

detail in the last chapter, the former two issues point towards the state of the judicial system, which is widely cited as a key obstacle to private sector growth in Angola – as an African Development Bank report observed, "firms have a relatively low confidence in the court, which is perceived as partial, corrupted and lacking in enforcement capacity. Courts are also hindered by a lack of qualified personnel and cases can drag on for years."[92]

Efforts to specifically promote small and medium-sized enterprises (SMEs) have also only recently gained some salience in Angola. Although an Institute for the Promotion of SMEs (INAPEM) has existed for 20 years, a legal basis for the preferential treatment of these firms was only created in 2011 with the Law of Micro, Small, and Medium-Sized Enterprises.[93] This law specified particular fiscal incentives to be granted to SMEs and also provided for their preferential treatment in public procurement. Around the same time, the Angolan government also dedicated increased resources to initiatives like "Angola Investe," a subsidy and guarantee scheme for SME lending, as well as to the creation of one-stop shops offering support to small entrepreneurs at the provincial level (Balcão Único do Empreendedor, BUE).[94] An earlier Fund for Business Investment (Fundo de Fomento Empresarial, FFE) created in 2008 had, despite its name, in fact focused mostly on directly state-led, large-scale investments with a focus on import substitution.[95]

In practice, life for small entrepreneurs in Angola has remained extremely difficult. As Ricardo Soares de Oliveira notes on the basis of interviews with formal SME owners in Benguela and Huambo conducted in collaboration with Manuel Ennes Ferreira, "[we] were presented with a consistent picture of harassment, with striving entrepreneurs confronted with protection rackets run by politicians and security forces and often hounded out of

[92] Jover, Lopes Pinto, and Marchand 2012, 19.
[93] Law 30/11.
[94] Gomes, Miguel, "BUE e Angola Investe longe dos objectivos", Rede Angola, 20 January 2016.
[95] ANGOP, "Governo oficializa Fundo de Fomento Empresarial", 13 September 2008.

business when unwilling or unable to involve the 'big guys' in their pursuits."[96] In the words of an Angolan businessman, "you can have a small business, and up to a certain level of success nobody cares. But once you cross a certain threshold, people want to know how you did it, and then come the tax inspections and everything else, and they don't leave you alone any more."[97]

In summary, the overarching reform processes in Mozambique and Angola after the respective end of conflict at face value created enabling conditions for private economic activity in productive sectors. In practice, however, access to the resulting opportunities remained limited, partly because key elements of the regulatory frameworks were defined in such a way that its implementation could be managed in a discretionary, often politically motivated fashion. Moreover, despite steps towards privatisation in both cases and a fairly determined pursuit of this agenda in the case of Mozambique, neither of the two countries witnessed a genuine withdrawal of the state from the economy. Rather, what occurred was a reconfiguration of state involvement that made it possible to unlock new opportunities for the generation and allocation of economic rents, leveraging private capital and expertise while maintaining a considerable degree of political control. These general patterns are corroborated by a closer analysis of both countries' industrial and agricultural sectors in the post-conflict period.

Post-war industrial development: Strong growth, but narrow basis

Reflecting both the overarching conditions for business activity and investment analysed above and the character of sector-specific initiatives, industrial development in post-conflict Mozambique and Angola has generally been marked by a pattern of significant

[96] Soares de Oliveira 2015b, 148.
[97] Interview with Angolan businessman, Luanda, October 2016.

growth, but also a concentration of capital in a small number of projects, many of which exhibit a strong extractive dimension. As will become clear in this section through the discussion of concrete examples, this pattern facilitated the exercise of political control over business and made it unlikely for significant accumulation to occur in an unchecked manner.

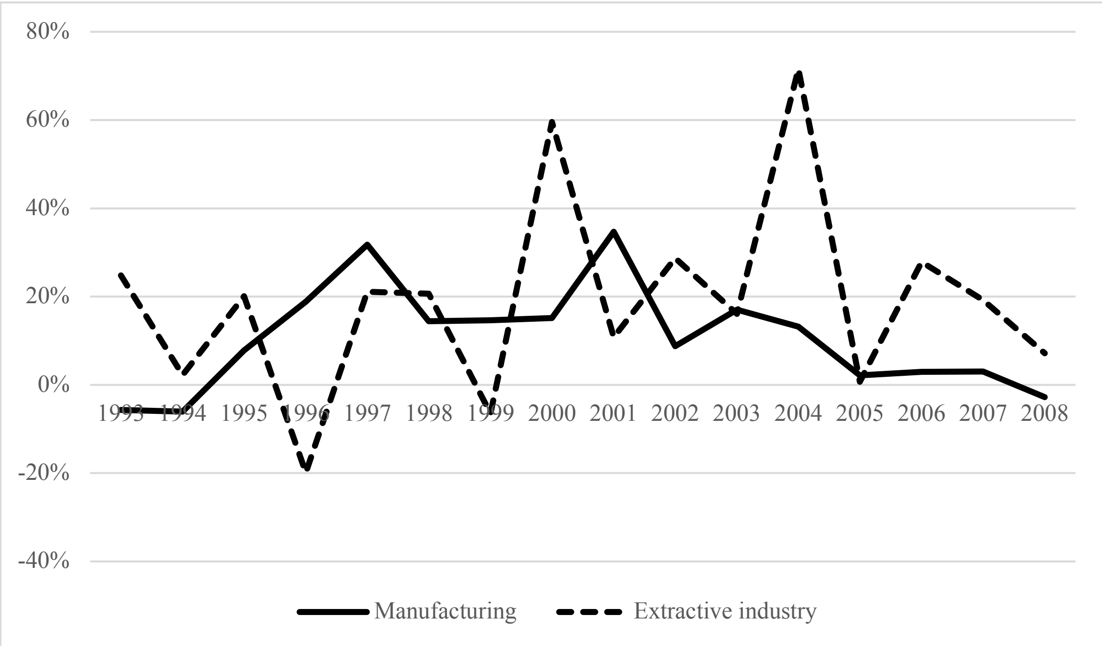

Figure 1: Annual growth rates (constant prices) in manufacturing and extractive industry; Mozambique 1993-2008. Source: Author calculations based on INE data, available at http://www.ine.gov.mz/estatisticas/ estatisticas-economicas/contas-nacionais/anuais1/pib_optica _producao. xlsx/view, accessed 5 March 2018.

In Mozambique, the productive sectors of the economy at first sight registered a considerable expansion after the end of conflict, with consistent double-digit annual growth rates and remarkable peaks of more than 30 percent in manufacturing and up to 70 percent in the extractive industries (see Figure 1). However, the seemingly encouraging trend especially in manufacturing masked, during the initial years of recovery, a strong concentration of economic activity within a single subsector, namely food, beverages, and tobacco, which in 1997 accounted for more than 60 percent of total manufacturing output.[98] In the second half of the 1990s, in turn, manufacturing growth was to a considerable extent attributable to the rehabilitation and expansion of a small number of large, formerly state-owned, light manufacturing ventures following their sale to foreign majority investors, although there are also a few examples of medium-sized and large domestically-owned firms that survived after privatisation.[99]

One of the earliest and most prominent examples of the described pattern was the rehabilitation of a dilapidated state-owned beverage factory in Maputo through a US$ 4.3 million investment by the South African franchise holder of Coca-Cola. Even though the Mozambican government was unable to contribute financially to the project, and although its initial managing director recalled the facilities handed over as an in-kind contribution as amounting to "not much more than an abandoned shed", the investor accepted the maintenance of a 40 percent government stake and the allocation of two out of five board positions to government nominees. As the managing director commented, "it was very beneficial to have the state as a partner […] the 40 percent offer was basically take it or leave it, so we looked at it and went along with it."[100] In particular, access to senior officials up to the President ensured that bureaucratic obstacles to the project could be dealt with "without ever doing anything underhand […] We often had obstacles at the lower levels of the bureaucracy, and it was quite clear people were holding things back in the hope of extracting a payment."[101]

The firm's operations subsequently grew very quickly, prompting multi-million dollar investments into new factories in Chimoio in 1997 and Nampula in 2000, and turning

[98] Castel-Branco, Cramer, and Hailu 2003.
[99] Sousa Cruz et al. 2016, 18–19; Pitcher 2008, Ch. 5.
[100] Interview with José Neves, first Managing Director of Coca-Cola SABCO, Maputo, November 2017. The state shareholding was subsequently diluted when the company undertook further investments, but was never entirely eliminated.
[101] Ibid.

it into one of the country's largest employers and taxpayers. Despite its demonstration of the profitability of the sector, competition remained very limited – only in 2011, a domestic firm (Yaafico Industrial) attempted to enter soft drinks production at a larger scale, and seems to be targeting a distinctly lower-end market.

Other examples of projects that followed a substantially similar trajectory include Cervejas de Moçambique, a formerly state-owned brewery partially sold to the Dutch subsidiary of South African Breweries (SAB) that was able to triple production levels within a year (partly on account of a significant tax cut lowering beer prices),[102] or Cimentos de Moçambique, a cement manufacturer of which a stake of 51 percent was sold to Portuguese investor CIMPOR, while the state retained the remaining 49 percent of shares.[103]

As already alluded to above, the defining feature of Mozambique's post-conflict development in industry and manufacturing, however, was the emergence of a small number of capital-intensive industrial and extractive "mega-projects", which entailed a skyrocketing of foreign investment from a level of US$ 32 million per year in the period 1991-1995 to US$ 179 million per year in 1996-2000, US$ 258 million in 2001-2005, and US$ 514 million in 2006-2010.[104] The first of these projects was the Mozal aluminium smelter, a joint venture between the British corporation Billiton (47 percent), the Industrial Development Company of South Africa (24 percent), Japanese corporation Mitsubishi (25 percent), and the Mozambican government (4 percent). An impression of the scale of this project, construction on which started in 1998, is provided by a 2003 analysis, which estimated Mozal to have led to a GDP uptick of 3.2 percentage points directly, and to a 5

[102] Pitcher 2008, 191–192.
[103] Sutton 2014, 121.
[104] UNCTAD 2012, 17. UNCTAD estimates that between 1996 and 2005, 72 percent of total FDI inflows were accounted for by these mega-projects, this only slightly decreased to 57 percent in 2006-2010.

percent uptick if the corresponding construction activity was included.[105]

Further projects of comparable scale followed in subsequent years, including an investment into natural gas extraction and transport by South African company Sasol and a project to explore the country's heavy mineral sands by Irish/British firm Kenmare. However, several mega-projects suffered significant delays, and as of 2012, seven out of the eleven first mega-projects were not yet operational (see Table 1 for an overview).

Year of approval	**Project name**	**Sector**	**Investor**	**Origin**	**Investment approved** in US$ million	**Operational as of 2012**
1997	Mozal I	Industry	BHP Billiton, Mitsubishi, IDC	U.K., Japan, South Africa	500	Yes
2000	Sasol Oil Moçambique	Other	Sasol	South Africa	5	Yes
2000	Moma Sands	Mining	Kenmare	Ireland, U.K.	103	Yes
2001	Maputo Iron and Steel	Industry	Enron South Africa	South Africa	440	No
2001	Mozal II	Industry	BHP Billiton, Mitsubishi, IDC	U.K., Japan, South Africa	400	Yes
2002	Limpopo Corridor Sands	Mining	WMC Resources	Australia, South Africa	480	No
2004	CCFB Railway	Transport	RITES	India	10	No
2007	Moatize Coal	Mining	Vale	Brazil	171	No
2007	AYR Petro-Nacala	Mining	AYR Logistics	United States	5000	No
2009	Portucel Moçambique	Agro-Industry	Portucel	Portugal	612	No
2009	Luiro Green Resources	Agro-Industry	Green Resources	Norway	741	No

Table 1: Megaprojects in Mozambique as of 2012.
Source: CPI

While each of these projects seems to have been initiated by the respective foreign investor, their pursuit corresponded to a deliberate attempt of establishing Mozambique as a credible investment destination with a reputation for a business-friendly environment. In particular,

[105] Castel-Branco and Goldin 2003.

the projects enjoyed considerable tax exemptions, to such an extent that in the period 2008-2012, the Mozal, Sasol and Kenmare projects accounted for 20 percent of the country's GDP but for less than 2 percent of its fiscal revenue.[106] Moreover, the projects also benefitted from a highly customised approval process and investment agreement that insulated the project from many of the vagaries of the business environment described above – in the words of a former IFI official, "for these large investors, their contract is the business environment."[107]

At the same time, and echoing the approach pursued in the privatization process, the Mozambican government consistently ensured to retain a minority stake in each of these ventures. As a legal advisor with first-hand knowledge of the Mozal project noted, government participation in this project was "taken for granted" and, from the perspective of the private investors, "seen as an instrument supporting buy-in."[108]

Due to their limited fiscal and employment impact and generally weak integration into the rest of the economy, the mega-projects have become a source of intense controversy in Mozambique. This has a clear political dimension, in that several well-known observers have accused Frelimo of deliberately having pursued an "expropriation of the state for private gain" in the course of these projects, allegedly exchanging favourable fiscal treatment for lucrative board positions and linkage opportunities for politically-connected capitalists.[109]

With regard to the latter issue, firms linked to Frelimo figures have been identified as the primary beneficiaries of linkage promotion efforts around Mozal in particular, comprising an "SME Empowerment Linkages Program" (SMEELP) and two initiatives

[106] Nogueira et al. 2017, 5.
[107] Interview, Maputo, October 2017. For a detailed account of the negotiations around the Mozal project, see Emery et al. 2000.
[108] Interview, Maputo, November 2017.
[109] The best-known exponent of this thesis is economist Carlos Castel-Branco, see for example Castel-Branco 2014; Castel-Branco 2015. See also Nogueira et al. 2017; Macuane, Buur, and Monjane 2017, 14.

entitled "MOZLINK", which entailed the provision of training and preferential access to finance with World Bank/IFC support.[110] It should be noted that the accounts of individuals familiar with these projects cast some doubt on the notion that these opportunities were created as a result of some carefully devised Frelimo scheme – as one former Mozal executive put it, linkage promotion "was something the government did not even think about. […] The initiative came from BHP and the investors, and the IFC also had the right mind-set."[111] But given the country's limited manufacturing base and small number of companies with relevant capabilities, the impact of these initiatives was nevertheless to consolidate a "cartel and monopsony economy"[112] controlled by those players that had managed to gain a foothold in the early years of liberalisation, frequently thanks to political support.

In the later generation of resource extraction-related projects (including coal and especially natural gas), the politicisation of linkage promotion programmes reportedly became more forceful and deliberate, also accompanied by a new form of major elite profiteering through preferential access to cheap gas as already discussed in Chapter Two. These developments also entailed a greater degree of monopolisation of rents by the immediate entourage of President Guebuza, in contrast to the comparatively more dispersed pattern of the Chissano years.[113] Although interpreted by some as a harbinger of greater stability and even developmental potential,[114] this trend considerably raised the stakes in Frelimo's factional rivalries, ultimately resulting in the re-emergence of very visible rifts within the ruling party (as further discussed in Chapter Six). Meanwhile, the issue of "linkage patronage" evolved into such an irritant to foreign investors that the latter

[110] Krause and Kaufmann 2011; Buur and Monjane 2016.
[111] Interview, Maputo, November 2017.
[112] Buur 2014, 19.
[113] Macuane, Buur, and Monjane 2017.
[114] Levy 2013; Hanlon and Mosse 2010.

increasingly attempted to set up their own linkage projects and to circumvent existing mechanisms.[115]

If the growing prevalence of resource-intensive or directly extractive projects over the course of the period under scrutiny was a key post-war trend in Mozambique's industrial and manufacturing sector, it was a defining characteristic of the Angolan situation from the outset of the reconstruction process. What the end of the war principally meant for the Angolan oil sector was an easing of the conditions under which operations took place (even if the war had never been much of an obstacle anyways), at a time when rising global oil prices made exploration and production in previously marginal locations economically attractive. Accordingly, production volumes expanded from a level of approximately 800,000 barrels per day in 2002 to 1.9 million barrels in 2008, where they approximately stayed in subsequent years.[116]

From the perspective of this study, two distinct but interrelated observations regarding this expansion merit particular emphasis: First, while the sector remained highly dependent on the involvement of foreign firms, these firms operated in an environment in which the Angolan state exercised very effective control through Sonangol, and where they had minimal influence over matters of sector governance beyond their own operations. A striking early illustration of the balance of power between the Angolan government and each individual oil firm was the sharp rebuke suffered by British oil major BP in 2001 following the company's decision to publish the value of a signature bonus paid to Sonangol against the backdrop of intensifying global transparency campaigns. In response to this step, Sonangol CEO Manuel Vicente issued a stern letter in which he explicitly raised the possibility of "contract termination."[117]

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[115] Buur 2014; Buur and Monjane 2016.
[116] US Energy Information Administration, "Angola", available at https://www.eia.gov/beta/international/analysis.php?iso=AGO, accessed 16 July 2018.
[117] For details on this episode, see McMillan 2005.

After 2002, the government's leverage over any individual corporation was further amplified by the growth and diversification of the group of foreign players interested in operating in Angola. Vicente at one occasion openly indicated the deliberate character of this development, noting that one of Sonangol's "main objectives [was] the attraction into this great chessboard that is Angola's oil industry of small and medium-sized companies to occupy spaces hitherto reserved to large companies."[118] Besides significant operations by four of the five global oil majors (Chevron, ExxonMobil, Total, and BP, with only Shell maintaining a lower profile) companies such as Norway's Statoil and Norsk Hydro, Italy's ENI, lesser-known Western firms such as Ranger Oil, Marathon, and Cobalt International Energy, as well as corporations from emerging economies such as China's Sinopec and CNOOC and Brasil's Petrobras all developed a presence in the country, and various others pre-qualified for bidding rounds.[119]

Second, political control over the oil sector was also increasingly used in order to create privileged economic opportunities for politically connected domestic players, while undermining the prospects of independent entrepreneurship. This occurred with regard to the allocation of equity shares in oil blocks, as well as at the level of suppliers and service providers. With respect to the former, well-connected Angolan firms have in various instances attached themselves to foreign operators as minority partners, with strong active facilitation through Sonangol. As an oil company lawyer commented in 2012, "in Angola, instead of creating bidding groups of your own making, you are faced with a forced marriage situation. It doesn't always work out… you have to take a decision if the risk is worth it for the rewards and what the comeback might be."[120] In a widely reported case, this actually led to a US lawsuit against Houston-based Cobalt International Energy, which

[118] Ferreira 2005a, 10.
[119] Ferreira 2005b; Vines et al. 2009; Shaxson 2009.
[120] Africa Confidential, "Luanda's crude power", 19 July 2012. This article also provides various examples of the individuals involved in these firms, in many instances including sitting senior public officials.

was accused of knowingly associating itself with a local firm part-owned by Manuel Vicente in parallel to his role as CEO of Sonangol.[121]

Meanwhile, increasingly stringent local content legislation and related provisions in Production Sharing Agreements have facilitated the rise of domestically owned suppliers and service providers and the proliferation of joint ventures between foreign firms and local partners. Although undoubtedly justifiable in principle in terms of local industrial development, the implementation of these requirements is widely perceived as highly politicized, with Sonangol acting at once as a gatekeeper in the approval of contracts and a market participant with myriad joint ventures in the sector.[122] As an executive of a foreign oil service provider put it, "foreign firms basically enter the country through either of two models – either you marry Sonangol, or you set up as a local company with some other local sponsor."[123]

Besides the capturing of opportunities by Sonangol itself, this system enables a deliberate allocation of considerable rents to politically opportune recipients. Although there is undoubtedly variation within the sector and although Angolans making genuine contributions as active partners exist, others have been successful on account of their political or family connections without making "any meaningful contribution other than to act as a front."[124] The exceptional sensitivity of the sector in this regard is acknowledged by all participants; one executive of a multinational oil firm noted that when an issue such as a contract renegotiation with a service provider arose, it was not unusual for this to be escalated to the company's CEO and to be raised with government interlocutors at the highest level.[125]

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[121] Burgis 2015, 12ff.
[122] Jesse Ovadia has explored this issue in detail in multiple publications, see Ovadia 2012; Ovadia 2013.
[123] Interview, Luanda, June 2017.
[124] Ovadia 2013, 57.
[125] Interview, Luanda, November 2016.

As a look at Angola's basic investment statistics demonstrates, activity in some other industrial sectors picked up in tandem with oil sector growth after 2002, but the structural composition of the country's economy remained almost unchanged.[126] According to data from the national investment agency ANIP, approved projects in non-oil sectors in the period 2003-2011 on average accrued to US$ 1.1 billion in foreign investment and US$ 630 million in domestic investment per year,[127] while registered FDI inflows in the same period according to UNCTAD amounted to US$ 10.9 billion per year[128] (no data is available on aggregate domestic investment including the oil sector). Even under the highly implausible assumption that all projects approved by ANIP actually went ahead,[129] it is thus apparent that private investment in general and foreign investment in particular remained overwhelmingly concentrated in the oil sector.

While ANIP approved more than 3,400 projects during this period, it is also worth noting that the ten largest projects accounted for almost 40 percent of the total approved investment volume. Of these ten biggest projects, only two cement plants fell squarely into the manufacturing and industry category. One further project was at the intersection with agriculture (the agro-industrial project Biocom, discussed in the next section), while the remainder fell mostly into the category of construction and real estate.

Besides cement, the virtually only other subsector in Angolan manufacturing and industry that has seen significant investment and growth is drinks and beverages,

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[126] For an econometric analysis of the linkage between oil-sector and non-oil sector growth in Angola, see Klein 2010.

[127] Author's calculations based on ANIP, "Propostas de investimento privado aprovado por país", various years. I am grateful to Christina Wolf for sharing this data with me, following the shutdown of ANIP's website where it had previously been made available to the public. This occurred after the 2015 restructuring into APIEX and UTIP discussed above.

[128] Author's calculations based on UNCTADStat, "Foreign direct investment: Inward and outward flows and stock, annual, 1970-2016", available at http://unctadstat.unctad.org/wds/TableViewer/tableView.aspx, accessed 18 July 2018.

[129] An indication of the considerable discrepancy between intended and actual investments was provided by a 2015 ANIP statement indicating that the agency had collected US$ 600 million in fines from investors who had not completed or never started their approved projects. ANGOP, "ANIP sanciona com multas investidores faltosos", 15 July 2015.

comprising the brewery privatisations mentioned above as well as some investments into soft drinks production. From an economic perspective, the commonality of these sectors is the strong inherent advantage of domestic production arising from the bulky nature of the goods in question, rendering investments in these areas potentially highly profitable. Tariffs on food and beverage imports were also increased sharply after 2005, while tariffs on cement imports were gradually increased after 2009 and an import quota system was established in 2015. However, the fact that especially the latter measure occurred *after* a number of significant investments had taken place suggests that it was more indicative of a successful lobbying effort or a decision to support these specific investors (whose political linkages are discussed below), rather than serving as evidence of pro-active industrial policy efforts.[130]

More generally, the Angolan government did make attempts to actively drive economic diversification through a number of sector-level initiatives. Despite the existence of a "Medium-Term Industrial Restructuring Plan" for the period 2009-2013 and of a national industrialization programme for the period 2013-2017, these initiatives however exhibited limited coherence and frequently suffered from a preference for quickly visible results.

Perhaps the most emblematic example of this problem is the Special Economic Zone (ZEE) in Viana, close to the capital Luanda. Initially built with public funding (using Chinese loans) under the oversight of the Gabinete de Reconstrução Nacional (GRN, see Chapter Two), the project ostensibly sought to create propitious conditions for private investment in the manufacturing sector through the provision of attractive infrastructure. A purpose-created subsidiary of Sonangol (Sonangol Industrial Investments, SIIND) was tasked with the management and coordination of the effort in 2010.

[130] Wolf 2017.

Rather than focusing on the mobilisation of private capital, however, SIIND then proceeded to itself invest almost US$ 130 million into the first 14 out of 73 envisaged industrial units.[131] There was little evidence of actual private sector activities in the zone in subsequent years, and the project was effectively paralysed when Sonangol stopped making major investments following the 2014 downturn.[132] At the time of writing, its future remained unclear – a 2016 presidential decree had authorised the privatisation of more than 50 units to "business entities with sufficient capital, technology, and know-how," but there were no reports of any such privatisations actually taking place. By 2018, the government had ostensibly again taken charge of "dynamizing" the ZEE, pledging to reorient the project towards the production of goods of daily need for the domestic market.[133]

Fundamentally, the ZEE thus illustrated the limitations of top-down economic planning and investment promotion without proper regard to the actual competitive environment in different sectors, as well as to myriad practical issues such as the suitability of centrally provided infrastructure or the availability of qualified employees. For the time being, it accomplished little in terms of reducing the concentration of Angolan industrial economic activity in oil and gas and a small number of subsectors with inherent advantages of domestic production.

As alluded to above, the configuration of actors in the subsectors where a degree of investment and growth occurred is also instructive from the vantage point of this study. In cement, the largest player by production capacity as of 2014 was CIF Luanda, backed by the China International Fund already familiar from the chapter on infrastructure. It was followed by Nova Cimangola, a joint venture between Ciminvest (a firm partially owned

[131] Ovadia 2017.
[132] See also Soares de Oliveira 2015b, 63–66.
[133] Agencia Lusa, "Estado vende a privados 53 empresas instaladas na ZEE", 2 June 2016; Dias, João, "Executivo prevê dinamizar a Zona Economica Especial", Jornal de Angola, 16 August 2018; Angop, "Estado quer retomar modelo de gestão da ZEE", 15 August 2018.

by Isabel dos Santos), the Angolan state, and Banco Angolano de Investimentos.[134] Third was Fábrica de Cimento do Kwanza Sul (FCKS), which counted former head of Sonangol and Minister of Industry Joaquim David among its investors.[135] The two latter firms in particular had benefitted from significant government support, taking the form of subsidised credit from Sonangol and the Banco de Desenvovimento de Angola in the case of FCKS and of a grant of more than US$ 100 million in the case of Nova Cimangola.[136] Although domestically produced cement was sold at a price almost three times higher than that of imported cement from Namibia, purchases of the latter were reportedly obstructed and observers noted already in 2009 that "the price of cement has doubled since Isabel dos Santos went into the business a couple of years ago."[137]

In the drinks and beverages sector, one of the dominant players is the French BGI Castel group, which is owns Companhia União de Cervejas de Angola (Cuca, which accounts for 90 percent of the local beer market) in partnership with GEFI, an MPLA-owned holding company, and the Angolan state.[138] Bottling rights for Coca-Cola are held by SAB Miller in conjunction with Grupo Gema, a company described by Angolan journalist Rafael Marques de Morais as "composed mainly of public office holders and their families whose positions have allowed complete access to state resources, and have allowed them to have a say in the government's decisions on privatisation, foreign investments and support for the private business sector."[139] Similarly, when Portuguese company Unicer entered the market in 2010, it did so in partnership with three Angolan

[134] Africa Confidential, "The cement boom", 29 May 2009.
[135] Marques De Morais, Rafael, "Oil and cement don't mix with corruption in Angola", Maka Angola, 25 September 2015.
[136] Wolf 2017, 19–20.
[137] Africa Confidential, "The cement boom", 29 May 2009.
[138] Marques de Morais, Rafael, "MPLA, Sociedade Anónima", Maka Angola, 4 February 2010; Lopes Pinto, Anthony, and Estefania Jover, "Brewers competing for a share of Angola's beer market", How We Made It in Africa, 18 August 2010.
[139] Marques de Morais, Rafael, "The influence-peddling of Grupo Gema", Maka Angola, 2 December 2009.

companies called Improminas, Giasope, and Imosil, whose owners were reportedly the head of investment agency ANIP, Carlos António Fernandes, Ministers of Industry and Petroleum Joaquim David and José Maria Botelho de Vasconcelos, and the governor of Benguela and former chief of staff of the Angolan Army, General Armando da Cruz Neto, respectively.[140]

These examples amply illustrate a key dynamic of the Angolan post-conflict business landscape, namely the deliberate leveraging of foreign capital and the mobilisation of public resources in support of the private pursuits of members of the ruling elite. As an experienced consultant remarked, a ubiquitous rhetoric of entrepreneurship could not conceal the lack of risk that supposed Angolan entrepreneurs were typically taking with their activities: "There is a lack of mature entrepreneurs, many of them just spend someone else's money. […] People don't use their own resources, and the responsibility for the use of public resources is not taken to its ultimate consequence."[141]

In sum, despite the structural difference between Mozambique and Angola in terms of the prevalence of the long-established petroleum sector in the latter case, from a political economy perspective both countries shared key trends in their post-war trajectories of industrial development. In particular, these included the concentration of investment in a small number of large projects with close political oversight, and the deliberately managed capture of opportunities by political insiders. As the next section will demonstrate, in important regards these dynamics were also replicated in the agricultural sector.

[140] Marques De Morais, Rafael, "Unicer: Brewing corruption in Angola", Pambazuka News, 25 February 2010.
[141] Interview with management consultant, Luanda, June 2017.

Agriculture and agri-business: Vast potential, limited accomplishments

The agricultural potential of both Mozambique and Angola is widely acknowledged (not least due to the historical precedents discussed above), and rhetorical commitments to a reinvigoration of this sector were commonplace during their respective reconstruction periods. In Mozambique, even the constitution states that "agriculture is the basis of national development,"[142] and the 1997 industrial policy and strategy identified "the food industry and agro-industry (sugar, cashew, tea, copra, cereals, fruits and cotton)" as its first priority sector.[143] Similarly, Angola's 2013-2017 National Development Plan highlighted "promoting the integrated and sustainable development of the agrarian sector, taking as its reference the full utilisation of the potential of productive natural resources and the competitiveness of the sector," as one of its main objectives.[144]

In practice, the sector has however suffered relative neglect in both countries, with the exception of some large-scale ventures that tended to exhibit political economy characteristics resembling those of the industrial projects just discussed. An important factor contributing to this outcome in both cases was the combination of a land law that established state ownership of land with a politicised distribution of tenure rights, through which political insiders acquired control over large pieces of land especially during the early years of reconstruction. As Harry West and Gregory Myers observed with regard to the Mozambican case, "in spite of the chaos witnessed in terms of the de facto alienation of land and state-farm assets, a well-developed logic dictated how these processes played out. Access to procuring state assets depended upon one's position in relation to the very

[142] Article 103.1.
[143] Sousa Cruz et al. 2016, 16.
[144] Ministério do Planeamento e do Desenvolvimento Territorial, "Plano Nacional de Desenvolvimento 2013-2017", p. 93. Available at http://www.info-angola.com/attachments/article/4736/130101%20-%20MPDT%20-%20Plano%20Nacional%20de%20Desenvolvimento%202013%20-%202017.pdf, accessed 17 July 2018.

institutions that had previously regulated the land and associated infrastructure."[145] In Angola, army generals in particular "were essentially given a free hand in large swathes of the interior to engage in resource extraction and land grabs."[146]

Notwithstanding, in Mozambique, agriculture was identified as an "engine of growth and the primary means for reducing poverty" from the outset of the reconstruction process, with the World Bank and donors in particular pushing for attention to the sector.[147] Shortly before the end of the war, a World Bank-funded Agricultural Rehabilitation and Development Project (ARDP) sought to promote smallholder production through the rehabilitation of rural infrastructure and state-provided services, followed by an Agricultural Services Rehabilitation and Development Project (ASRDP) in 1992 and a Rural Rehabilitation Project in 1993.

In the mid-1990s, various initiatives were integrated into a national programme for agricultural development (PROAGRI) that saw consistently strong donor involvement and very considerable financial support, enabling public expenditure in the range of US$ 20 to 60 million per year in the sector between 1998 and 2005. However, the lion's share of this spending (more than 35 percent) went into "institutional capacity building,"[148] and "whilst progress has been made in strengthening institutions in the sector, there has been little or no expansion in service delivery as a result of this increase in public resources."[149] An NGO representative active in the sector was dismissive of the degree of professionalisation of agriculture accomplished in Mozambique: "There is hardly any commercial farming here, even if we count the tobacco plantations and the sugar mills you can probably count this on two hands. […] There is also no 'emerging farmer,' the biggest innovation of

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[145] West and Myers 1996, 49.
[146] Soares de Oliveira 2011, 292; see also Péclard 2008, 15. On Angola's land law more generally, see Cain 2013.
[147] Landau 1998, 33.
[148] Cabral 2009, 12.
[149] Ibid., v. See also Mogues and do Rosario 2016.

smallholder agriculture in the last 100 years here is probably that they now use a hoe with a longer handle."[150]

Against this backdrop, the Frelimo government's attempts to revive potentially lucrative areas of the agricultural economy typically involved the leveraging of foreign capital and expertise in the context of large-scale investments. In cotton and tobacco, and to some extent also in sugar and tea, this was accomplished through concession regimes that effectively entailed the allocation of "monopolistic-monopsonistic buying rights over family sector households" to large-scale investors, who were in turn often responsible for the provision of inputs to smallholders.[151] This approach in some regards represented an iteration on Marxist ideas of dialectical development, as vividly illustrated by the statements of a former minister who stressed the importance of promoting a "rural proletariat" and a "kulak class."[152] More pragmatically, though, it also ensured the maintenance of political control over the development of these sectors, as well as over the management of access to accumulation opportunities at any significant scale.

During the early years of reconstruction, the most important of these sectors (with an estimated 250,000-300,000 smallholders involved) was cotton, which had been restructured already during the final years of conflict through the creation of three public-private joint ventures involving the Mozambican government as well as local and, in one instance, British investors.[153] From an economic perspective, this arrangement registered considerable success, as indicated by an increase of total cotton production by 60 percent between 1990 and 1998 and the generation of almost $15 million in export revenue from ginned cotton in the latter year.[154]

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[150] Interview, Maputo, October 2017. On the situation of smallholder farming in Mozambique more generally, see Mosca 2014; Mosca, Matavel, and Dada 2013.
[151] Pitcher 2008, 209.
[152] Quoted in Sumich 2018, 116.
[153] Pitcher 1996; Sutton 2014, 91ff.
[154] Pitcher 2008, 212ff.

As Anne Pitcher has observed, the revival of the cotton sector had an important political impact. While the government's dual role as a shareholder in joint ventures and the regulator of the sector, combined with its *de facto* dependence on the foreign investors, entailed certain challenges, cotton sector growth generated rural opportunities and specifically allowed for the creation of "a new group that owes its fortunes to joint-ventures and the government. Together with state officials who have benefitted from privatization, *regulos* [traditional leaders] and their subordinates who have been revived, and those companies that have made investments, this group may become a powerful rural constituency that the Frelimo-led government can rely on for support."[155]

Another agricultural subsector widely seen as a relative success story in Mozambique is sugar. Following a virtually complete breakdown of the industry by the end of the civil war, six large sugar estates were rehabilitated by South African and Mauritian, and later South African and French/Brazilian investors. As in the cotton sector, the government ensured to retain co-ownership of most estates and processing plants, while also ascertaining continuing state support, notably in the form of surcharges on sugar imports and a crackdown on sugar smuggling into the country.

Interestingly, these policies were pursued effectively even though they directly undermined the interests of some politically-connected traders who had done well out of the import business, demonstrating Frelimo's ability to transcend such particularistic interests where this would support the broader political objectives of the ruling coalition.[156] With regard to the latter, the rehabilitation of the sector not only created around 40,000 jobs (making it the single largest source of formal employment in the country, with the exception of the civil service), but also specifically concentrated these benefits in areas in

[155] Ibid., 224.
[156] Buur, Baloi, and Mondlane Tembe 2012, 18ff.

which Frelimo sought to strengthen its position vis-à-vis Renamo. As such, "the re-emergence of the sugar sector allowed for the gradual re-establishment of territorial integrity combined with political control, and over a 15-year period the ruling party managed to secure enough support to win both national and local elections in all the areas where the sugar industry re-emerged."[157]

Importantly, the success of the Mozambican sugar sector was not a story of market liberalisation: As an UNCTAD report critically observed, "the sugar and ethanol sector in Mozambique is structured in a way which raises at least two competition issues. First, the role of government as coordinator of the sector enterprise activities and price setting, along with all the major players, eliminate any resemblance of a market economy. Second, the highly vertically integrated structure of the industry deters market entry."[158] What the sector does illustrate is the expansionary potential of deliberately managed "closed deals" and "hand-in-hand relationships" between the state and politically unthreatening capitalists,[159] which were also facilitated by the foreign rather than domestic origin of the investors involved.[160]

This model could, however, not be successfully replicated in other agricultural subsectors where the configuration of political interests was less favourable. In fisheries, attempts at promoting a semi-industrial sector and an on-shore processing industry were undermined by politically influential businessmen who had acquired licenses and equipment for industrial fishing in the early phase of the capitalist transition, when "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

[157] Buur, Mondlane Tembe, and Baloi 2012, 356.
[158] UNCTAD 2013.
[159] Hallward-Driemeier and Pritchett 2015; Moore and Schmitz 2008.
[160] As Lindsay Whitfield and Lars Buur have observed, "from the perspective of the Chissano faction, the foreign companies brought in expertise, and their involvement ensured that Renamo elites did not benefit or have opportunities to accumulate." Whitfield and Buur 2014, 132.

to the top echelons of the party."[161] A similar pattern also materialised in poultry production, where a well-known financial supporter of Frelimo was at best half-heartedly hindered in his operation of a flourishing (illegal) import business, although some successes in building domestic capacity in the sector have still been registered.[162]

In the historically significant cashew sector, domestic processing capacity was, as already noted, initially decimated through a sudden policy of export liberalisation, which also did not lead to the envisaged benefits for smallholder producers. While the buyers of the processing factories who suffered from this development were in most instances hardly political outsiders, an industry veteran recalled their irritation at the government's failure to provide the kind of support to them that was simultaneously being granted in the sugar sector, with its prevalence of foreign investors – "these investors clearly had much greater influence."[163]

Several well-known observers have attributed responsibility for this episode squarely to the World Bank, and the external pressure exerted upon Mozambican decision-makers in this instance was undoubtedly substantial.[164] However, Lars Buur and his colleagues have also noted that, while it would go too far to portray the sector's implosion as the result of a deliberate effort on the part of the ruling coalition, "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."[165] The subsequent revival of the processing industry after 2000 therefore involved not just significant technical and financial assistance from the United States, delivered through the NGO TechnoServe in particular, but also a complex

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[161] Buur, Baloi, and Mondlane Tembe 2012, 24.
[162] Ibid., 29f.
[163] Interview with Kekobad Patel, former chairman of cashew sector association Aicaju, Maputo, November 2017.
[164] E.g. Hanlon 2000.
[165] Buur, Baloi, and Mondlane Tembe 2012, 28.

political bargain by which influential traders were persuaded to gradually shift their interests towards domestic processing, in tandem with regulatory changes such as the reinstatement of an export tax.[166]

Finally, one subsector whose trajectory did display some resemblances to the sugar story was tobacco, which witnessed a remarkable take-off starting in the late 1990s and had become one of the most important export crops accounting for more than 40 percent of agricultural export revenues by 2011.[167] Key to the expansion of the sector was the entry of three multinational trading companies (Dimon Inc., Stancom, and Mozambique Leaf Tobacco) within a favourable concessions framework that was supplemented by significant fiscal incentives. While the number of farmers involved in the sector is considerable (estimated at 130,000), a corollary of this focus on creating attractive investment conditions was a failure to establish mechanisms for an equitable distribution of the rents created through the concession system. In the view of some critics, this has resulted in a sector that is only superficially successful, and whose viability is predicated upon the maintenance of artificially low producer prices and exploitative practices.[168]

From a political economy perspective, it is noteworthy that the state is not involved in the tobacco sector through joint ventures, and that the ruling coalition also does not seem to derive ancillary benefits of the kind observed in the industrial mega-projects discussed above. The most apparent rationale for the coalition to have let the sector develop as described, despite the risk of an eventual backlash from a substantial group of smallholders, is thus the scale of the foreign exchange inflows from tobacco exports, which helps the country's balance-of-payments position. In this context, it however also bears mentioning that the owner of Mozambique Leaf Tobacco is one of the (actually very small number of)

[166] Buur, Baloi, and Mondlane Tembe 2012.
[167] Pérez Niño 2015; Sutton 2014, 85f.
[168] Pérez Niño 2015.

firms formally on record for having paid bribes in Mozambique, in the context of several decisions on concession allocations and regulatory policy between 2004 and 2007.[169]

On the whole, the record of agricultural and agro-processing development in Mozambique since 1992 is mixed. While some successes in terms of the rehabilitation and expansion of subsectors have occurred, many observers critically note the lack of a coherent strategic framework and the enduring prevalence of inefficient smallholder production, coupled with a proclivity towards large-scale, top-down solutions in particular subsectors.[170] The latter tendency has been further amplified since the late 2000s with the emergence of several huge projects such as the Beira Agricultural Growth Corridor (driven by international fertiliser company Yara),[171] the Brazilian-Japanese ProSavana project,[172] and several large-scale Chinese ventures, even though none of these initiatives have had a transformative impact to date and especially the dimensions of the latter appear to have been vastly exaggerated.[173] While the developmental potential of this approach is debatable,[174] what merits emphasis from the vantage point of this study is the close involvement of the state in virtually all areas offering significant accumulation opportunities, as well as the consistent importance of configurations of political interests as a key determinant of sector prospects.

Substantially similar patterns in the agricultural sector are also visible in Angola, although even less attention has been dedicated to the sector in general, and although no equivalents to the successful rehabilitation of at least particular subsectors registered in Mozambique have been accomplished. Allocations of public funding to the sector have

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169 Hanlon, Joseph, "Tobacco company admits bribe to 'a governor in Mozambique'", Mozambique News Reports and Clippings, 8 September 2010.
170 Mosca, Matavel, and Dada 2013; Mosca 2014; Forquilha 2015; Rosário 2012; Cunguara 2012.
171 Kaarhus 2018.
172 Nogueira et al. 2017; Chichava et al. 2013.
173 Brautigam and Stensrud Ekman 2012.
174 E.g. Smart and Hanlon 2014; Collier and Dercon 2014.

been consistently negligible (accounting for less than 3 percent of the general state budget in 2007 and less than 1 percent in 2016, for example[175]), and the sector's GDP contribution has stagnated at a low level of 4 percent.[176]

Experts emphasise the extent to which the design of constructive policy for the sector is hampered by a sheer lack of government knowledge about the rural domain – in the words of Angolan public intellectual Fernando Pacheco, "fundamentally we do not even know how many peasants there are in the country."[177] Official data on this matter are highly inconsistent but suggest that about 2.5 million families in the country are involved in agricultural activities, which in combination with reports about state-led assistance programmes would suggest that at least half of all peasants receive no assistance whatsoever.[178] Some efforts in this regard have been undertaken with international support, including a "Market-Oriented Smallholder Agriculture Project" in three provinces initiated in 2008, for which the World Bank, the International Fund for Agriculture and Development (IFAD) and other donors jointly provided nearly US$ 50 million in funding.[179] For the time being, though, the impact of such initiatives can hardly be described as transformative.

One area in which several private firms have registered some success is the provision of inputs and equipment for the agricultural sector, although typically relying on the re-sale of imported goods rather than domestic production.[180] In terms of commercial farming, recent years have also seen the emergence of a handful of ostensibly more aspirational private ventures such as vegetable and fruit producers Agrolíder and Fazenda

[175] MINFIN (Angola), Orçamento geral do Estado, Resumo da despesa por função, 2007 and 2016, on file with the author.
[176] CEIC 2016, 84.
[177] Remarks of Fernando Pacheco at the launch of the Annual CEIC Economic Report, Luanda, 21 June 2017. See also Soares de Oliveira 2013, 181ff.
[178] CEIC 2016, 87ff.
[179] Jover, Lopes Pinto, and Marchand 2012, 63.
[180] Ibid., 62.

Girassol, which mostly produce for the domestic market but have also made some initial forays into exports, notably including Bananas.[181]

By far the biggest private sector venture in the agricultural sector, though, is Biocom, a sugar, ethanol, and renewable energy project covering an area of more than 80,000 hectares in Malanje province, which aims to produce 256,000 tons of sugar, 33,000 cubic metres of ethanol, and 235 Gwh of energy by 2020/21. At this stage, it also promises to have created employment for 2.500 people.[182] The first phase of the project involved investments amounting to US$ 750 million, three times more than initially foreseen. In this context, the Angolan state guaranteed a bank loan of US$ 200 million as, according to the project's adjunct general director, "the government believes that Biocom is a project in the public interest."[183] This was also reflected in the project's shareholder structure, which comprised a 20 percent Sonangol stake in conjunction with Brazilian multinational Odebrecht (40 percent) as well as the Angolan firm "Cochan" (also 40 percent). The latter, in turn, was owned by General Manuel Hélder Vieira Dias Júnior "Kopelipa" (familiar from his role in the GRN and as head of the military branch of the Presidency), General Leopoldino Fragoso do Nascimento "Dino" (head of communications of the Presidency), and Manuel Vicente (CEO of Sonangol), dubbed the "triumvirate" by critical observers.[184]

In light of this ownership structure, repeated delays in the ramp-up of production (during which the firm received an import quota for sugar from the government) quickly led local experts and activists to question the economic viability of this project and to talk of it as a mere rent-seeking scam. This is a matter on which it is arguably still too early to

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[181] Angop, "Fazenda Girassol aposta no aumento da produção", 5 December 2017; Brock, Joe, "Angola's blooming Banana plantations offer new hope for farming", Reuters, 19 May 2015.

[182] Biocom Angola, "Biocom em Números", available online at http://biocom-angola.com/pt-br/a-empresa/biocom-em-numeros, accessed 14 March 2018.

[183] Quoted in Gomes, Miguel, "A cana-de-açucar que pretende adoçar o país", Rede Angola, 5 August 2016.

[184] Marques de Morais, Rafael, "The Angolan presidency: The epicentre of corruption", Pambazuka News, 2 September 2010.

pass definitive judgement – 2018 reports for instance suggested that the company would significantly increase its output and almost double its turnover to US$ 300 million, although it did not provide an indication of its profitability.[185] What is, however, quite clear is that the project's political economy characteristics closely resemble those of the industrial ventures discussed above, fusing significant state involvement and support as well as the leveraging of foreign capital with the promotion of the business interests of members of the ruling elite.

The preference for large-scale projects with direct state involvement exemplified by Biocom has more generally constituted a consistent feature of the Angolan government's approach to the reinvigoration of agriculture. Another well-known example of this tendency is a scheme called "Aldeia Nova", which sought to re-settle the families of former combatants in Kibbutz-style agricultural communities. Implemented through the private Israeli LR Group, the project encompassed the rehabilitation of local infrastructure, the restoration and modernisation of farms, and the establishment of input supplies and output processing centres, at a cost of approximately US$ 100 million to the state over the first five years after its inception in 2003.[186] Whereas a 2009 assessment concluded that "the total benefits of the Aldeia Nova project are impressive,"[187] the project failed to grow beyond the relatively modest scale of 600 families and faced major difficulties two years later, resulting in its partial privatisation.[188]

More generally, by 2015 there were almost 20 large-scale state-led ventures in the agricultural sector, often involving partnerships between the public enterprise Gesterra and foreign investors or service providers, typically from countries that also provided financing

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[185] Macauhub, "Angola's bioenergy company expects a turnover of US$300 million in 2018", 27 April 2018.
[186] Kimhi 2009.
[187] Ibid., 12.
[188] Soares de Oliveira 2015b, 68–69.

for the respective project.[189] Little by way of detail is known about the performance of these projects, but the general perception is certainly that their outcomes have been disappointing – for example, the vast Fazenda Pungo Andongo, a partnership between Gesterra and Chinese construction firm CITIC, found itself paralysed in 2016 after having cultivated merely 10 percent of the initially envisaged area.[190]

In part, these projects correspond to a palpable and enduring fascination with "big" solutions; in Fernando Pacheco's words, "some of these grandiose projects were repeated five times over."[191] Similar to some of the infrastructure projects discussed in Chapter Two, though, it is also hard to avoid the impression that one of their driving rationales was to generate business opportunities in the process of their initial implementation, as well as to create assets that could subsequently be distributed to insiders – as one of Ricardo Soares de Oliveira's informants put it pithily, "such projects are overpriced; a private company moves in on a fat contract to implement them, lots of money to go around from the very start. The big plan is of course to use public money to build farms and then give it out to a private entity."[192]

Taken together, the trajectory of the Angolan agricultural sector exhibited an even greater degree of neglect than its Mozambican counterpart, but also many of the political economy dynamics reverberating throughout this study. While constituting a domain in which evidence of an economically expansionary disposition of ruling elites is weaker than in other areas surveyed here, the sector has in both countries certainly been marked by the prevalence of political control, be it through direct state participation and oversight or through the prominent involvement of political insiders in an ostensibly private capacity.

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[189] CEIC 2016, 90.
[190] Gomes, Miguel, "A cana-de-açucar que pretende adoçar o país", Rede Angola, 5 August 2016.
[191] Remarks of Fernando Pacheco at the launch of the Annual CEIC Economic Report, Luanda, 21 June 2017.
[192] Quoted in Soares de Oliveira 2015b, 70.

Conclusion

Specificities of individual subsectors notwithstanding, this chapter has shown that the efforts to reinvigorate productive economic activity in Mozambique and Angola were consistently marked by certain key characteristics. While both countries witnessed significant reforms and investment promotion efforts, ruling elites' approach was not primarily to create enabling conditions for competitive entrepreneurial activity, but to foster large-scale initiatives featuring close political oversight. Although ostensibly market-oriented and business-friendly, the conditions facing economic actors in both countries remained marked by the persistence of constraints that "hamper entry and competition in the local economy, encourage informality and feed rent-seeking practices,"[193] as well as of "red tape [that] can be mobilized and cut through by the few, but which generally stifles the promotion of SMEs."[194]

In both cases, formal investment has thus remained concentrated in a limited number of large-scale projects typically featuring a strong participation of foreign capital, as well as direct involvement or at least close oversight by the state. While generating considerable growth, and in some instances also some more widely dispersed economic benefits in the form of employment, the dominant domestic political economy dynamic inherent in this process was to enable accumulation among a relatively narrow and politically selected group that enjoyed privileged access to the resulting opportunities. Where such benefits could not be ensured to an extent that at least compensated for the concomitant loss of rent allocation opportunities in the import trade, the invigoration of domestic production has typically faced substantial obstacles and made little tangible progress.

[193] Jover, Lopes Pinto, and Marchand 2012, 19.
[194] Buur 2014, 13.

In the Angolan case, the result is an enduring dependence on the oil sector amid limited industrial and agricultural development, with the exception of a few projects capturing fairly obvious profit-making opportunities or taking advantage of the availability of selective state support. The Mozambican productive base developed in a somewhat broader and more diversified fashion – at least in part as a result of more sustained and consistent efforts to promote private investment especially in commercial agriculture – but also became increasingly dominated by a handful of resource-intensive mega-projects, a trend that only amplified with the rise of the coal and natural gas sectors in subsequent years.

For the respective period under scrutiny, sizeable pockets of advanced productive activity in both cases underpinned a considerable growth record. They however ultimately could not mask, in the apt words a Mozambican civil servant, the prevalence of "a private sector that is not entrepreneurial. These are either people who use opportunities that result from preferred access, or people who have no other choice."[195] The latter part of this statement refers to the enduring proliferation of informal micro-enterprises, in many instances amounting to little more than informal self-employment. This applies especially to the rural population engaged in agricultural activities,[196] but also to the vibrant informal urban commercial sector that no visitor to Maputo or Luanda could possibly overlook. For Mozambique, estimates suggest that informal economic activity in the early 2000s accounted for approximately 40 percent of GDP and 75 percent of employment.[197] In Angola, the size of the informal sector in the mid-2000s was estimated at approximately 45 percent of GDP,[198] and a 2009 study suggested that informal activities provided the main source of income for more than 90 percent of the economically active population in rural

[195] Interview with Ministry of Commerce and Industry official, Maputo, November 2017.
[196] See Cramer, Oya, and Sender 2008 on the situation of rural labour in Mozambique.
[197] Byiers 2009.
[198] Schneider 2005.

areas and for approximately half of the population in urban areas.[199]

While informal accumulation especially during the wartime period was historically an important mechanism which laid the foundations for larger-scale capitalist ventures in the both countries' post-conflict eras, the precarious nature of the "firms" involved in these activities means that their investment potential and growth prospects are inherently constrained. The impact of this situation from a growth and development perspective is profoundly limiting, but it is also a direct flipside of the approach of elite-led "controlled expansion" that is the joint hallmark of the two cases considered here.

[199] Development Workshop 2009.

Chapter Five: Taxation, public spending, and the politics of redistribution

The three previous chapters can be read as an analysis of how ruling elites in Mozambique and Angola have built post-conflict market economies with a view to the domestic political imperative of maintaining and strengthening their hold on power. This final empirical chapter considers a slightly different, but also systemically important, dimension of post-conflict economic governance from a political economy perspective, namely the direct redistribution of economic goods and benefits through the state. Evidently, this redistribution entails two analytically distinct steps: First, the extraction of state revenue from economic actors though various forms of taxation, and second, the allocation of state expenditure to either direct transfers or to programmes and measures with a stratified distributional impact.

The question of revenue extraction has long been recognised as deeply political, and indeed central to any understanding of state formation. Theda Skocpol has claimed that "a state's means of raising and deploying financial resources tell us more than could any other single factor about its existing (and immediate potential) capacities,"[1] while Margaret Levi has gone as far as to argue that the "history of state revenue production is the history of the evolution of the state."[2] Various scholars engaging with the politics of natural resource rents and foreign aid have also highlighted the importance of the specific mechanisms of revenue mobilisation for the nature of accountability relationships between the state (and, by extension, ruling elites) and society, the conventional argument being that significant sources of non-tax revenue tend to afford rulers greater autonomy from societal

[1] Skocpol 1985, 17.
[2] Levi 1989, 1.

pressures and control.[3] While these observations are clearly relevant for the analysis developed in this chapter, the latter also places particular emphasis on the distributional dimension of revenue extraction through taxation (i.e., who specifically gets taxed, how, and how much). Despite the considerable salience of this issue in policy debates in virtually any country, it has thus far received comparatively limited attention in the literature on taxation in the developing world.[4]

Such explicitly distributional questions have been analysed much more frequently with a focus on the expenditure side, as state-provided goods and benefits of various kinds are widely recognised as potential resources than can be deployed by rulers to their political advantage, even while staying entirely within the boundaries of legality (that is, without engaging in the direct use of public resources for private benefit, which is the common definition of corruption). As the existing literature in the field demonstrates, the specific approaches adopted by rulers in different political contexts in this regard are manifold, ranging from a fairly broad-based and ostentatious distribution of benefits (often criticised by detractors as evidence of "economic populism"),[5] over a less actively publicised prioritisation of rather narrowly targeted types of expenditure (such as particular subsidies or welfare programmes, but also including the maintenance of large civil services and militaries),[6] to a more subtle management of the stratification of benefits in public service provision.

While many contributions stressing issues of patronage and clientilism imply a more or less explicit (negative) normative evaluation, it is indeed important to recognise

[3] On natural resource revenues, see for example Karl 1997; Ross 2001; Jensen and Wantchekon 2004. On foreign aid, see Morrison 2009; Therkildsen 2002; Collier 2006.
[4] For example, a seminal contribution by Deborah Brautigam and collaborators focuses in the first instance on the capacity of revenue collection agencies as such, rather than on the distributional consequences of different forms of taxation – see Brautigam, Fjeldstad, and Moore 2008; see also Everest-Phillips 2008; Besley and Persson 2007. A stronger emphasis on this matter is salient in some of the contributions to Moore, Prichard, and Fjeldstad 2018.
[5] Dornbusch and Edwards 1991.
[6] E.g. Clapham 1982; Bratton and van de Walle 1994; Kramon and Posner 2013.

that *some* form of politically mediated distribution of economic goods is virtually unavoidable, as even an approach of deliberate non-intervention into "unfettered" markets in itself implies an active political choice whose distributional consequences are by no means "natural."[7] However one evaluates the distributive processes and outcomes prevailing in a given setting from a normative perspective, they are at the heart of the relationships of power and influence between political and economic actors, and thus central to the argument developed in this study.

Following a brief account of historical patterns of revenue mobilisation and public service provision in Mozambique and Angola, the chapter considers the two aspects of redistributive politics in both countries' post-conflict period in turn. On the revenue side, it emphasises the strong reliance of both countries' governments on non-tax sources (implying a very limited resort to redistributive interventions at the stage of revenue extraction), as well as a pattern of highly uneven enforcement and collection of taxes that suggests scope for politically motivated favouritism. On the expenditure and service provision side, the chapter demonstrates that ruling elites have dedicated a disproportionate share of resources to the maintenance of privileged conditions for particular social groups that they consider critical for the consolidation of their hold on power. In contrast, broad-based public services have received less attention and have frequently been dispensed in a partisan fashion.

In both cases, the redistribution of resources through the state served to broaden the group of beneficiaries of post-war economic recovery beyond the minute set of insiders directly benefitting from privileged access to business opportunities and the also relatively small group of people who found employment in both countries' nascent formal private

[7] Polanyi 2001. This insight is also reflected in Harold Lasswell's famous definition of politics in terms of "who gets what, when, and how", see Lasswell 1936.

sectors. But even these broadened constituencies of beneficiaries fell significantly short of encompassing the totality or even a majority of the population, instead comprising mostly segments of the public that had been historically supportive of the ruling party and whose loyalty needed to be preserved, as well as groups that were regarded as threatening due to their capacities for political mobilisation or even violence.

Donor pressures and conditionalities, in combination with the generally lower volumes of resources at Frelimo's disposal, account for a certain attenuation of the described patterns in the Mozambican case during the respective period under scrutiny (although the late 2000s witnessed the beginning of greater convergence between the two cases). This has placed key constituencies in a less secure position than their counterparts in Angola and given rise to some challenges to the party in power, which however did not reach existential proportions for the time being. In Angola, meanwhile, the question was not so much to what extent the regime was able channel significant resources and benefits towards favoured constituencies, but rather whether the latter would indeed react with the expected political allegiance. This latter point draws our attention to the question of the effectiveness and sustainability of the observed approaches to economic reconstruction from a ruling elite perspective, which are subsequently addressed in the next chapter.

Taxation and public service provision in the late colonial period and during the civil wars

During the late colonial period, Mozambique and Angola were both subject to a largely extractive Portuguese regime that dedicated little attention to the question of public service provision, certainly with regard to the African population.

In Mozambique, the tax base of the late colonial state mostly consisted in import duties and excise consumption taxes on goods such as tobacco and alcohol.[8] Significant

[8] Byiers 2005.

taxes were also levied in non-monetary form, as there were several obligatory labour schemes either tied to residence in a designated area (under the *prazo* system) or as a punishment for often minor infractions (under the *chibalo* system), which were implemented in some form until the 1960s.[9] As detailed in Chapter Two, infrastructure spending was in some regards significant but overwhelmingly geared towards the needs of the colonial economy and the settler population, rather than towards public service delivery to the bulk of the indigenous population. State-provided education and healthcare were available for the settlers and for the small group of recognised *assimilados* in urban centres; but for most of the population the former was limited to so-called *escolas da adaptação* which, according to Malyn Newitt, could "at best, be described as pre-primary schools."[10] Welfare spending in a narrower sense or deliberate redistributive policies were all but non-existent.

Important broader continuities with regard to administrative style and statebuilding imaginaries notwithstanding, the orientation of fiscal and budgetary policy did change fundamentally with Frelimo's ascent to power in 1975. The party had a clearly articulated commitment to social programmes such as the provision of free healthcare and education, which required the mobilisation of greater volumes of state revenue. While the capacity to actually realise the required revenue expansion at this particular moment was of course at its nadir, following the flight of most qualified public sector employees, Frelimo indeed embarked upon a comprehensive overhaul of the tax system, which sought to change not just technical modalities but the very character of taxation. As the text of the 1978 National Reconstruction Tax law put it, "the incorrect idea of 'tax,' impressed through the repressive nature of the colonial fiscal system – capitalism – remains in our society, [and] must be

[9] Newitt 2017, 112–113.
[10] Ibid., 148.

destroyed. Taxation constituted one of the main tools that the colonial administration had to reinforce its domination, consolidate feudal structures, and recruitment of forced labour, and it was a means of accumulation and exploitation for the privileged minority. In the Popular Democratic State, by contrast, tax is a way of materialising the duty of every citizen to contribute according to their abilities to fund the programmes of the Popular State in order to create the conditions for the transition to Socialism."[11]

In addition to the National Reconstruction Tax, which was essentially a progressive income tax, the party introduced the "circulation tax" (*imposto de circulação*),[12] a turnover tax for companies, as well as the "complementary tax" (*imposto complementar*)[13] on capital and other non-labour income in short order. There was thus a discernible attempt to establish relatively broad-based taxation with a clear progressive, redistributive element. These measures were reflected in the volume of tax revenue generated, which increased from 5.8 percent of GDP in 1975 to 8.7 percent in 1978 and 11.9 percent in 1983. The majority of these revenues stemmed from taxes on the consumption of goods and services, followed by income taxes.[14] However, these successes in revenue collection proved largely futile on account of the economic decline that the country experienced during the 1980s, as discussed in the previous chapter, which dramatically eroded the amount of economic activity and income to be taxed in the first place.

During the period in which greater volumes of financial resources were available, Frelimo did undertake a genuine and in some regards successful attempt to expand the provision of public services. Following the nationalisation of health services and schools upon independence, over 1000 health posts were built or renovated within a few years,[15]

[11] Law 2/78, as quoted and translated in Anderson 2014, 115.
[12] Law 3/78.
[13] Law 4/78.
[14] Anderson 2014, 136f.
[15] Walt and Cliff 1986, 152.

while primary school enrolment doubled from around 670,000 to 1.4 million and secondary school enrolment almost tripled from around 30,000 to 90,000.[16] In 1980, social sectors such as health and education accounted for 29 percent of recurrent budget expenditure.[17] A state-enforced system of price controls and subsidies on staple foods also reduced economic inequality especially in towns, financed largely through the progressive income tax noted above.[18]

Overall, improvements in living conditions were undoubtedly greater in urban areas than in the countryside, and predominantly accrued to individuals and groups that Frelimo considered as exemplars of the "modern society" and "new man" that were integral to its ideological project. However, these disparities were arguably also related to the sheer logistical challenge of expanding services in rural areas especially against a backdrop of external destabilisation, and not necessarily indicative of an "unholy alliance between the small elite of the working class and state bureaucrats."[19] In this context, the often extremely challenging circumstances facing even relatively privileged segments of the public during the "time of hunger" should also not be overlooked.[20]

In the course of the capitalist transition and reform process in 1986, important aspects of Frelimo's initial tax-and-spend approach were rolled back. Rather than the maximisation of state revenue to enable the realisation of ambitious social programmes, the objectives of the tax system increasingly became the creation of attractive conditions for private investment and international trade, exemplified by the reduction of customs duties and the increasingly frequent granting of tariff exemptions. A new 1987 tax law[21] established a new "labour income tax" in lieu of the national reconstruction tax and

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[16] Barnes 1982, 411.
[17] Hermele 1990, 25.
[18] O'Laughlin 1996.
[19] Ibid., 210. On the situation in rural areas, see Alexander 1997, 7.
[20] Sumich 2008.
[21] Law 3/87.

replaced the practice of direct transfers from state-owned enterprises to the state budget with an "industrial contribution tax." Further reforms in 1990 introduced a "compensation tax" on motor vehicles and a special tax on domestic fuel consumption, but these measures never led the tax-to-GDP share to return to its 1983 peak.[22] Rather than on domestically generated tax income, the government increasingly relied on foreign aid, which grew exponentially after 1986 and soon regularly accounted for more than 30 percent of GDP. When the civil war ended in 1992, foreign aid income reached its peak at a level of almost USD 1.5 billion.

These developments were mirrored by changes in the mode of public service provision and the government's approach to social policy. Attempts to sustain state-provided health and education delivery were rendered difficult by sheer physical destruction, which for instance affected almost half of the national school network.[23] In the second half of the 1980s, Mozambique's situation was increasingly one of humanitarian emergency, starkly exemplified by the fact that more than half of the population was wholly or partially dependent on food aid in 1989.[24] Government health expenditure dropped below pre-independence levels, and many aspects of social service provision were increasingly covered by international organisations such as UNICEF and the World Food Programme, or by foreign NGOs.[25] The general social subsidies and centralised allocation approach characteristic of the early post-independence years gave way to a more minimalist "safety net" approach amid a spread of informal, proto-capitalist markets for many goods of daily need.[26]

[22] Anderson 2014, 140.
[23] Hermele 1990, 6.
[24] Marshall 1990, 31.
[25] Marshall 1990; Barnes 1998.
[26] O'Laughlin 1996.

In sum, Frelimo had proven its fundamental commitment to a strong state that would be deeply involved in the redistribution of wealth and income as part of a project of societal transformation – even if its priorities undoubtedly reflected this project's own biases and discriminatory elements – but any actual advances in this direction were largely undone by the civil war.

In Angola, the MPLA faced a comparable situation to Mozambique's Frelimo with regard to the legacies of the colonial tax system when taking over power in 1975. If anything, the extractive character of colonial taxation was even more pronounced in this case due to the presence of valuable natural resources. This was starkly exemplified by the diamond company DIAMANG, which did not pay taxes in Angola, but was instead taxed in metropolitan Portugal (that said, the company did transfer substantial dividends to the Angolan administration, which held an ownership stake).[27] By the time of independence, petroleum had also gained importance as the country's largest export commodity, and contributed significantly to the budget of the colonial administration. As Emily Anderson has summarised the broader situation, "the Portuguese colonial revenue collection system in Angola had been typified by excessive burdens on labour, a biased benefits structure that was oriented towards the interests of Lisbon and exacerbated domestic inequality."[28]

Another parallel to Frelimo consisted in the MPLA's rhetorical commitment to reversing this situation and to expanding the provision of public services to the population. However, the party never genuinely embarked upon a comparable effort to establish a taxation framework and revenue collection apparatus in order to pursue this aim. Instead, it relied heavily on oil income derived through the joint-venture agreements with foreign

[27] Clarence-Smith 1985.
[28] Anderson 2014, 168.

oil firms, as well as on a few streams of tax revenue largely maintained from the colonial period (on income, production and consumption, and cross-border trade).

Part of this inattention to the taxation of private economic actors was due to the statist assumptions of the MPLA's socialist agenda – taxable economic surplus generated outside the purview of the state simply did not feature prominently in this vision. As a report on the 1979 budget explained, "the state seeks to centralise the maximum level of revenue, concentrating all resources available into state hands. During this phase of national reconstruction, this will enable the creation of a financial system to be an effective instrument to direct and control production, allowing for better distribution and redistribution of national income."[29]

In practice, due to the consistent growth of oil production and the simultaneous implosion of virtually all other productive sectors, as noted in the previous chapter, the MPLA government was soon overwhelmingly reliant on this single source of revenue. As Angola's Minister of Finance between 1982 and 1991, Augusto Matos, observed, "with the war, the tax system disappeared. The system died. State companies were obliged to contribute taxes, modelled on a Soviet or Cuban system. But the businesses did not succeed, so the state did not receive revenues."[30]

In terms of state-led service provision, the very early post-independence years in Angola did see some of the pro-poor initiatives that one may have expected in light of the MPLA's ideological commitments, notably benefiting from the presence of Cuban volunteers.[31] However, and despite the insistence of some contemporary observers that "the MPLA [was] certainly not a gravy train,"[32] even at this stage, participation in the benefits of independence tended to be contingent on political factors in a system of "partisan

[29] Ministry of Finance (Angola), "Budget Report", 1979, as quoted and translated in Ibid., 156.
[30] Quoted in Ibid., 180.
[31] Vidal 2007a, 205.
[32] Fauvet 1979, 148–149.

patrimonialism," in which MPLA membership often served as a key to entitlements.[33] Given that even the relatively open MPLA before 1977 with its estimated peak membership of about 110,000 was never a genuine mass party,[34] the circle of beneficiaries of state-provided welfare was therefore rather limited from the outset. The same could be said about the takeover of the state bureaucracy and the distribution of positions at all levels. This process did allow "tens of thousands of people to experience an extraordinary degree of social promotion" as members of an emerging "state class," but it had a similarly political character and was only accessible to those already belonging to the urban "central society."[35]

Indeed, despite the centrality of the MPLA to any understanding of the postcolonial Angolan state, it did not serve as an all-encompassing distributive mechanism aimed at securing the support of broad popular constituencies though material patronage. Such a strategy was effectively precluded by the vanguard concept of the party adopted after a brutal crackdown on internal dissent in response to the Nito Alves coup of 1977, which was accompanied by a purge that reduced its membership to between 16,500 and 30,000,[36] and only reversed in the early 1990s. Though it would be an exaggeration to suggest that no advances at all in public service provision were recorded in this period, the benefits of growing oil revenues overwhelmingly accrued to a core entourage of key officials, military leaders and businessmen surrounding President dos Santos. As Nuno Vidal has observed, patronage never accomplished "operative stability" and did not genuinely permeate society in Angola, as the majority of population was excluded from distributive mechanisms.[37] At

[33] Vidal 2007b.
[34] Ibid., 127. Estimates of MPLA membership numbers at different points in time vary widely. Tony Hodges (2003, 51) for instance cites a membership number of 60,000 for 1975, whereas Politburo member Antonio Jacinto do Amaral claimed that the party actually had around 200,000 members in the same year (see Radu 1990, 135).
[35] Soares de Oliveira 2015b, 96. See also Messiant 2007a.
[36] The lower figure is from Hodges 2003, 51; the larger one from Soares de Oliveira 2015, 96.
[37] Vidal 2007a, 202.

best, a pattern of "clientelist redistribution" took hold in the core areas under government control, while responsibility for large parts of especially the rural population was increasingly discarded.[38]

These patterns were in important regards reconfigured, but certainly not fundamentally transformed, with the country's transition to capitalism. On the revenue side, the market-oriented reforms described in the previous chapters were accompanied by a number of adjustments in the tax regime, including a reform of the capital gains tax in 1992,[39] the imposition of consumption taxes on a specified range of (mostly imported) goods, and the introduction if a new labour income tax (*imposto sobre os rendimentos do trabalho*) in 1999.[40] While these measures made some contribution to a slight increase in tax revenue as a share of GDP over the course of the 1990s, oil revenues continued to account for the lion's share of government resources.[41]

On the expenditure and public service delivery side of the equation, even the limited provision of the earlier post-independence period increasingly fell prey to a focus on the war effort and the monopolization of resources by political insiders. Rather than the Angolan government, international NGOs were often in charge of the delivery of basic services in the form of emergency aid. Even calamitous developments such as an outbreak of yellow fever and cholera failed to elicit a concerted state response.[42] This shift towards a "non-governmental" state was exacerbated by the rise of vehicles such as the Fundação Eduardo dos Santos (FESA); an organisation supposedly independent from the government and casting the President as a quasi-philanthropist rather than as the head of a government whose failures in public goods delivery were hard to overlook.[43] Even if the emphasis on

[38] Messiant 2007a, 233ff.; Soares de Oliveira 2013, 171-172.
[39] Law 14/99.
[40] Law 10/99.
[41] Anderson 2014, 194.
[42] Vidal 2007a.
[43] Messiant 1999; Vidal 2007a.

the person of dos Santos amounted to an attempt to present him as an almost supra-partisan figure, the effect of these developments was to further reinforce the politicisation of access to “public” services.

Taken together, the MPLA neither undertook comparable efforts to Frelimo in terms of broadening state revenue collection, nor in terms of using the considerable resources that were nevertheless available thanks to the petroleum sector in order to expand the provision of public services. Importantly, the contrast between the two parties during the respective early post-independence and civil war period in terms of the size of the group of objective beneficiaries or in basic patterns of geographical and socio-economic biases should, however, also not be overstated. The MPLA’s outright neglect of the rural domain undoubtedly contrasted with Frelimo’s sometimes overzealous interventionism, and the latter also undertook greater efforts to channel the distribution of benefits through institutionalised, formal mechanisms. But in practice, most of the benefits in both cases accrued to the urban, “modern” segment of the population, and in any case civil war and economic breakdown ultimately precipitated the decay of the structures for revenue collection and organised, state-led redistribution alike.

Public revenue after the end of conflict

The end of conflict presented Frelimo and the MPLA with an opportunity, and indeed a necessity, to overcome the emergency response mode of the late civil war era and to reconfigure the role of the state in the redistribution of economic goods and benefits in a more systematic fashion. As this section will show, however, efforts to generate domestic revenue in this context were not pursued with the highest priority and had, for the most part, limited impact in terms of overcoming the patterns of the previous years described above.

In Mozambique, following a first wave of tax reform in the late 1980s, further steps to align the system with the needs of a market-based economy were considered in a 1992 study that was conducted with strong international support. The result of this study were a number of amendments to law 3/87, which sought to "reduce the tax burden on businesses and individuals, and to promote investment and exports through reductions in nominal rates, differential rates, and deferral of payments for certain investments, along with the suspension of export duties."[44] In addition, the reform agenda for a first period lasting until 1999 comprised the restructuring of the customs system and the replacement of the circulation tax by a value-added tax (VAT), with the aim of eliminating the cascading effect of the previous arrangement.

The former measure in particular attracted attention due to the decision to outsource customs administration to a private operator, namely the UK firm Crown Agents, which some observers took as a particularly stark indication of the depth of neo-liberal reform in Mozambique.[45] Within the country, the introduction of VAT was similarly controversial – despite the government's presentation of VAT as "the tax that benefits everybody,"[46] influential commentators questioned whether Mozambican private firms with their often rudimentary accounting were in any position to comply with the requirements of the new tax, and criticized the reform as imposed by the IMF at the expense of a meaningful dialogue between the government and the domestic private sector.[47] A second reform period lasting from 2000 to 2007 witnessed the reform of direct taxes along with an overhaul of the relevant institutional structure, culminating in the establishment of a

[44] Castro et al. 2009, 11.
[45] Hibou 2004.
[46] Fauvet and Mosse 2003, 306.
[47] As Paul Fauvet and Marcelo Mosse have argued, "[the introduction of the VAT] was part of the quid pro quo for debt relief under the Heavily Indebted Poor Country (HIPC) initiative. The deal was very simple: no VAT, no HIPC relief." See Ibid., 304.

dedicated, semi-autonomous Revenue Authority (Autoridade Tributária, AT) by the end of this period.[48]

Although the Mozambican revenue reform agenda was in retrospect assessed positively by the IMF, with a 2009 report observing "notable improvement in all selected indicators" including collection volume, compliance, equity, economic efficiency and GDP growth, openness and business climate, and combat of corruption,[49] critics have raised concerns from several angles.

First, some have cast doubt on the prioritization of reforms, criticising specifically a somewhat single-minded pursuit of expanding revenue collection at the expense of other objectives. As economist Jeffrey Sachs noted as early as 1996, "the [International Monetary] Fund should know better than to urge Mozambique, whose income is $100 per head, to collect 23% of GDP in government revenues, especially when the current tax system is already haemorrhaging with evasion, corruption and maladministration."[50] A donor economist with sustained insight in to the reform process similarly noted that "the focus was always on increasing revenue, and never on the efficiency of spending" and that especially since the introduction of the AT in 2006, the approach had been "purely driven by what is easy and possible, there is no concern about equity or growth."[51]

Second, observers have at the same time also pointed out that actual progress in terms of reducing the country's aid dependence was very limited, at least during the period mainly under scrutiny in this study. As such, tax revenues as a share of GDP initially *declined* after 1992 and slowly recovered toward the end of the decade, to exhibit a significant upswing only after the introduction of the AT. Meanwhile, aid flows were increasingly institutionalised and consolidated during this period through a shift from

[48] Castro et al. 2009, 7.
[49] Ibid., 4.
[50] Sachs, Jeffrey, "It Can Be Done", The Economist, 29 June 1996.
[51] Interview with donor economist, Maputo, November 2017.

project and programme-based assistance towards general budget support, which started in the second half of the 1990s. Under the latter arrangement, donors transferred resources directly to the general state budget, in exchange for far-reaching involvement in domestic policy and resource allocation processes that tied up considerable bureaucratic capacity.[52] In quantitative terms, the proportion of aid to gross national income gradually declined from its extraordinary peak level of 80 percent in 1992, but never fell significantly below 20 percent until the late 2000s, and thus continued to account for a very considerable share of the state budget.[53] Only in 2011, tax revenues eventually exceeded foreign aid as a share of GDP.[54]

Among donors, there is a palpable perception that revenue reform was to a considerable extent externally driven. One donor economist noted that the tax reform agenda and focus on the revenue side "came very late, perhaps because the external funding was there,"[55] while a development bank official in charge of coordinating taxation-related activities for the group of donors providing budget support stated bluntly that "without donors there would be little tax reform."[56]

That said, the position of many donors was ambiguous on a key issue that had a major impact on the post-conflict trajectory of Mozambican government revenues, namely the incentives and exemptions granted to the megaprojects discussed in the previous chapter. As noted, for the period from 2008-2012, the three firms Mozal, Sasol and Kenmare were found to have accounted for 20 percent of Mozambique's GDP, but only for two percent of total tax revenue. While several donor officials, former IFI representatives, and investors interviewed for this study were adamant that the generous conditions offered

[52] Hodges and Tibana 2004; Batley 2005; De Renzio and Hanlon 2009.
[53] Pérez Niño and Le Billon 2013, 9.
[54] Anderson 2014, 235–236.
[55] Interview with donor economist, Maputo, October 2017.
[56] Quoted in Anderson 2014, 214.

to these projects were justifiable and indeed necessary at the time,[57] and while the 2002 Code of Fiscal benefits revised some elements of the prior regime that were seen as excessively generous, effective corporate taxes in Mozambique have generally remained comparatively low and prone to exemptions.[58]

Several prominent Mozambican academics and civil society actors have been vocal in calling for fundamental change to this situation, ideally including a renegotiation of existing investment contracts.[59] While allegations are not backed by evidence, there is also a perception of a link between low corporate tax rates and informal side-payments to powerholders – as one Mozambican economist for example commented, "it is not that these firms pay no taxes, they pay informal taxes to certain people […] they have clean books at home, but different ones here."[60]

The latter remark also points to another important characteristic of the Mozambican post-war revenue collection system, namely high rates of non-compliance and tax evasion. As an IMF report noted, "the starting point was one of very high rates of noncompliance (with nonpayment of the tax on goods at 65 percent in 1994, and with even higher rates of nonpayment for import/export duties, estimated at the time at about 75 percent), and nonpayment of taxes has continued to be a significant problem."[61] Studies conducted in the early 2000s suggested that prior to the implementation of the second wave of tax reforms, only half of the applicable tax volume was actually collected, amounting to a particularly weak performance in regional comparison.[62] A 2016 report identified customs administration in particular as an area of pervasive corruption with considerable negative

[57] Interviews, Maputo, September-November 2017.
[58] Nathan Associates 2009; Pérez Niño and Le Billon 2016, 154.
[59] E.g. Justiça Ambiental de Mozambique, Jubilee Debt Campaign UK, and Tax Justice Network 2012; Castel-Branco 2014.
[60] Interview with Mozambican economist and consultant, Maputo, October 2017.
[61] Castro et al. 2009, 5.
[62] Ibid.

fiscal impact, noting that “customs related bribing, underreporting and avoidance of import tax payments have cost the state dearly” and estimating the volume of revenue foregone at US$ 2.5 *billion* per year.[63]

In summary, revenue collection in Mozambique during the first 15 years after the end of conflict was marked by an effort to align the system with the broader context of a market driven-economy. This also comprised an initially often donor-driven attempt to enhance revenue volumes, but with an important qualification in terms of the hesitation to impose taxes on the megaprojects. In combination with weak implementation and enforcement, the latter contributed to a relatively low domestic revenue mobilisation that left the country strongly reliant on foreign aid.

In terms of the distributional consequences of this mode of resource mobilisation and its implications from a political economy perspective, several observations can be made. First, the strong reliance on external revenue flows to some extent alleviated the political challenge of having to tax domestic constituencies in the first place and allowed Frelimo to eschew difficult choices in this regard. Second, to the extent that revenue from taxation was raised, this relied mainly on two sources.

On the one hand, revenues were generated though broad-based indirect taxes especially in the form of VAT, which is frequently criticised as a regressive form of taxation that hits relatively poor parts of the population hardest due to their greater share of income allocated to consumption. While the Mozambican VAT regime comprised a number of exemptions (for instance, for staple foods) aimed at reducing this effect, the share of revenues raised from this source remained comparatively high.

On the other hand, revenue stemmed from direct taxes on income and profit, which applied to a relatively narrow base – by 2006, there were less than 100,000 individual and

[63] CIP & CMI 2016, 61.

less than 4000 corporate tax payers registered in the entire country.[64] Although in recent years, registered corporate tax payers have complained increasingly vocally about being "milked" by the AT amid a failure to adequately tax informal competitors, the evidence regarding evasion also suggests that they have in many instances been able to reduce their tax burden informally. As Adrian Fozzard has concluded, "the relatively small – and in recent years declining – proportion of revenues generated from taxes on income and profits, coupled with widespread evasion and the rising share of revenues generated through taxes on consumption, all point to a regressive tax regime."[65]

This assessment is also corroborated by Bernhard Weimer's observations regarding the considerable unused potential in the area of property tax, which is meant to be collected at the municipal level. A housing expert interviewed for this study concurred, describing property taxes in Mozambique as "ridiculously low."[66] As Weimer notes, "there is a political economy dimension involved: property-related taxes (where the reserves are highest) touch on the established power structure and thus may not be popular with the local elite dominating municipal politics and policies."[67]

More generally, observers have noted an increasingly salient tension between the objective of enhanced public revenue generation and the private interests of members of the ruling elites, including in the emerging extractive industries. In Helena Pérez-Niño's and Philippe Le Billon's words, "it remains to be seen if [...] Frelimo, made up of interest groups which already derive power from their position as local partners in joint ventures and concessions, has the strength and the motivation to renegotiate national resource contracts in order to maximize state revenue,"[68] adding an important facet to discussions

[64] Anderson 2014, 366. These numbers grew quickly in subsequent years, reaching more than 500,000 individual tax payers and almost 8,000 corporate tax payers in 2012.
[65] Fozzard 2002, 15.
[66] Interview with housing expert, Maputo, November 2017.
[67] Weimer 2012.
[68] Pérez Niño and Le Billon 2013, 24.

regarding the impact of resource revenues on accountability relations between the state, ruling elites, and the broader public.

As frequently acknowledged in contributions on the country, the latter concern resonates strongly also in the Angolan experience: As noted, petroleum revenues in this case had historically acted as an important disincentive to the expansion of domestic non-oil tax collection, and this also remained largely unchanged in the post-conflict period after 2002. As a former senior Ministry of Finance official noted, these historical legacies had indeed led to a widespread perception among economic actors that "paying taxes is optional," which fundamentally hindered the pursuit of any serious fiscal reform agenda.[69]

Against this backdrop, the most significant reform measure adopted in the early post-war years was a 2004 update of the law on the taxation of petroleum activities,[70] which consolidated the somewhat fragmented previous regime and was seen as further strengthening the position of Sonangol vis-à-vis the international oil companies. Moreover, the government introduced new legislation on fiscal incentives for private investment, as discussed in the previous chapter, and established a system of taxpayer identification numbers that could serve as a foundation for further administrative reform.[71] Similarly to Mozambique, the Angolan government also drew on the support of the British private company Crown Agents in order to reform the customs administration agency SNA. This measure reportedly had a significant financial impact, expanding customs revenue from US$ 215 million to US$ 3.7 billion by 2008, while simultaneously reducing the duration of customs procedures from 15-20 days to 48 hours.[72]

A structure for the delineation of a broader fiscal reform agenda was created in 2006 with the Fiscal Reform Committee (Comité para Reforma Fiscal, CRF), which was led by

[69] Interview with former senior MoF official, Luanda, July 2017.
[70] Law 13/04.
[71] Anderson 2014, 260–264.
[72] Angop, "Government extends contract with Crown Agents", 26 August 2009.

the Ministry of Finance and comprised members from the National Tax Authority (DNI), the Customs Agency (SNA), the Ministries of Labour and Justice, as well as business representatives.[73] Despite an ostensibly wide-ranging mandate, this initiative did however not have much of an impact – in the words of its chairman Francisco Brandão, "it amounted to very little, composed of part-time advisers. We did not have the necessary technical team in place."[74]

It was only in the wake of the sobering experience of the 2009 drop in oil prices and the ensuing fiscal turbulence in Angola that serious steps towards fiscal reform were genuinely undertaken. The precipitous drop in public revenue drove home the recognition that, as stated in the 2011 Presidential Decree setting out an action plan for tax reform, "the tax system is still, in many respects, inefficient, overly complex, in some places based on colonial laws, and is not consistent with the dictates of distributive justice."[75] Although the process was fundamentally domestically driven, the IMF played an important role to the extent that structural reforms of the tax systems were agreed upon as part of the 2009 stand-by agreement, which "help[ed] key players in government sustain the momentum of tax reform."[76] An Executive Tax Reform Project (*Projeto Executivo para a Reforma Tributária*, PERT) was thus initiated in 2010.

Important components of PERT were the restructuring of the national tax and customs agencies into a single entity, as well as the implementation of a new IT system that would help to automate processes. Human resource commitments to tax administration were also increased by 40 percent.[77] However, "indecisiveness"[78] regarding the exact organisational setup and structure of the newly created General Revenue Authority

[73] Interview; with former senior MoF official, Luanda, July 2017; Anderson 2014, 264ff.
[74] Quoted in Ibid., 264.
[75] Decreto Presidencial 50/11, 15 March 2011.
[76] Fjeldstad, Jensen, and Orre 2012, 1.
[77] Anderson 2014, 271.
[78] Fjeldstad, Jensen, and Paulo 2014a, 2.

(Administração Geral Tributária, AGT),[79] as well as a "generalised lack of political will"[80] led to sluggish implementation, and only in 2014 was the AGT eventually established.[81] In terms of legal reforms, PERT comprised a comprehensive overhaul of three key elements of the tax legislation, namely the establishment of a General Tax Code, a Code of Tax Procedure, and a Tax Collection Enforcement Code, all of which replaced laws still in place from the colonial era.[82] Although the three codes were passed by the executive in June 2013, parliamentary approval and implementation in practice again constituted a drawn-out process.

In addition to these overarching reforms, revisions of more specific elements of the legal framework were also adopted after 2011, for instance including a reduction of the corporate income tax and an increase of the personal income tax, a revision of the consumption tax that made the latter applicable to a broader range of goods and services, and a significant reduction and simplification of the property tax.[83] Although at first sight favourable to property owners, the latter reform was actually welcomed by observers as a "promising approach […] to enhance revenues through progressive taxes," as it made tangible provisions for an institutionalised collection of taxes that had previously simply hardly taken place at all.[84]

The described period of increased activism on the fiscal front after the 2009 oil price shock notwithstanding, the first decade after the end of the Angolan civil war did, on the whole, not see any significant change with regard to the government's fundamental reliance on petroleum revenues. As such, oil continued to account for more than 80 percent

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[79] One major question in this regard was whether the AGT should be created as an entity within the Ministry of Finance or as a semi-autonomous agency.
[80] Anderson 2014, 272.
[81] Agencia Lusa, "Criada Administração Geral Tributária angolana para cobrança eficiente de impostos", 19 September 2014.
[82] Fjeldstad, Jensen, and Orre 2012.
[83] Anderson 2014, 275–279.
[84] Fjeldstad, Jensen, and Orre 2012.

of government revenue throughout this period, and indeed the Angolan state accomplished greater progress in increasing the tax take from the petroleum sector than in the non-oil sector (where tax collection as a share of sectoral GDP actually decreased).[85] While this could be interpreted as the result of an attempt to encourage non-oil economic activity, it is not indicative of any particular drive to diversify the state's revenue base. As a consultant who was involved in the reform process in an advisory capacity noted, "there was no significant change in revenue composition […] what they implemented were basically only easy changes like adjusting import tariffs and the consumption tax." While he admitted that these measures did have some impact simply on account of the strong performance of the Angolan economy in that period, he highlighted that "the major challenges, which would have been to tackle the informal economy and to broaden the base of contributors, have really not been addressed."[86]

In terms of taxation as a redistributive mechanism, what bears noting in the Angolan case is therefore mainly that there was little attempt to capture the wealth accumulated by an exceedingly small segment of the population in order to shift it towards poorer groups. This assessment was also corroborated by the adoption of a tax amnesty for arrears incurred before 2013. While this step was justified with the difficulty of complying with the outdated previous tax code, critics raised equity and fairness concerns regarding business owners who had actually paid tax voluntarily, while "opposition Members of Parliament [claimed] that the amnesty was introduced exclusively to benefit the business interests of the MPLA."[87] As Anderson has argued in a similar vein more generally, "tax is used as a tool to confer selective advantages, such as supporting MPLA entrepreneurs and friendly businesses with special exemptions and benefits. On the other hand, structural biases in

[85] Anderson 2014, 281ff.
[86] Interview with consultant, Luanda, June 2017.
[87] Fjeldstad, Jensen, and Paulo 2014b, 2.

legislation and discriminatory enforcement allow the MPLA to marginalise its opponents."[88]

That said, Angola did register a non-trivial accomplishment in capturing resource revenues domestically and in channelling them towards a centralised national budget. While there has obviously been no shortage of privileged accumulation opportunities for elite insiders, as demonstrated throughout this study, and while Sonangol's finances have remained less than transparent, instances of outright theft of petroleum revenues after 2002 appear to have been the exception.[89] The country's fiscal framework for the oil sector has generally been regarded as very effective in terms of maximizing the share of oil revenue accruing to the state, also compared to other oil-producing countries.[90] Between 2003 and 2013, oil taxes on average captured more than 67% of sector GDP.[91] In addition to ongoing income from taxes and royalties or sales of production shares, Sonangol has also been able to obtain often substantial upfront payments or "signature bonuses" from its partners at the conclusion of bidding rounds, further bolstering state revenues.[92]

Driven by a combination of an exponential increase of global oil prices and an expansion production volumes, the period from 2002 to 2008 thus witnessed an almost ten-fold expansion of overall government revenue from US$ 4.5 billion to US$ 42.4 billion.[93]

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[88] Anderson 2014, 290.
[89] This assessment may require re-evaluation as further details regarding the management of the sovereign wealth fund and of Sonangol come to light – for instance, allegations of an attempted transfer abroad of US$ 500 million in 2017, instructed by José Filomeno dos Santos in his capacity as the head of the sovereign wealth fund, are currently under investigation. See Cotterill, Joseph, and Martin Arnold, "Son of Angola's ex-president named as suspect in US$500bn fraud case", Financial Times, 26 March 2018; Cascais, Antonio, "Angola: The fall of the dos Santos clan", DW World, 26 September 2018.
[90] Pérez Niño and Le Billon 2013, 13; Shaxson 2009, 63. For a more detailed discussion of the fiscal framework in the oil sector and Angola's production sharing agreements in particular, see Vines, Shaxson, and Rimli 2005b, 14–15; Clarke 2000, 199.
[91] Anderson 2014, 285.
[92] Although commentators have expressed concerns over the particular susceptibility of these bonuses to irregularities, they can in principle be a sound element of an auction design - see McMillan 2005; Clarke 2000.
[93] Da Rocha 2012, 1.

Any analysis of distributional politics in Angola must therefore place particular emphasis on the expenditure side, which is explored in the next section.

Placing the post-conflict fiscal revenue trajectories of Mozambique and Angola in comparative perspective from the vantage point of this study, a first salient observation is that ruling elites in both cases benefitted from the availability of resources "preventing the state from having to tax domestic interest groups,"[94] in the former case in the form of foreign aid and in the latter case in the form of oil revenues. Redistributive effects at the stage of revenue extraction were therefore limited, and potentially even regressive in that inequality was further entrenched through a primary reliance on VAT or comparable consumption taxes. With regard to the overarching argument advanced here, an aspect that merits particular emphasis is that other kinds of taxes (e.g. on corporate profits or property) were not simply uniformly low or non-existent, but that enforcement and collection were rather highly uneven. The scope for the kind of discretionary political intervention characteristic of many areas of Mozambique's and Angola's economies was thus considerable, even though conclusive evidence on the degree to which there were centrally-coordinated, systematic biases in favour of certain entrepreneurs rather than general corruption issues is of course inherently difficult to obtain.

Ruling elites' apparent failure to take full advantage of economic expansion by extracting greater amounts of resources that could then be spent with a view to broadening their bases of public support draws attention to an important nuance of the argument advanced in this thesis. As such, the claim here is not that cohesive ruling elite coalitions seek to maximise the size of the group of material beneficiaries of their rule at all cost, but rather that they focus on the co-optation of politically relevant groups seen as capable of threatening their hold on power. Even though ruling elites may not have made significant

[94] Pérez Niño and Le Billon 2013, 18.

progress in terms of collecting taxes as a share of GDP, the latter's explosive growth still meant that absolute revenue levels expanded considerably, and significant alternative sources of revenue were, after all, also available. As the next section will show, the volume of resources at the disposal of ruling elites was therefore for the most part sufficient to allow for the allocation of substantial benefits to these more limited constituencies.

In this context, a more aggressive tax collection effort would in important regards have been politically irrational from a ruling elite perspective, as it was not urgently needed for the management of the ruling parties' popular base and could have unnecessarily strained relations with emerging domestic capitalists and within the ruling coalition. In the Mozambican case, it must further be taken into account that the maintenance of favourable fiscal conditions was also seen as an important driver of especially large-scale foreign investment, and thus rapid economic growth, in the first place. While the merits of this argument are now disputed, it enjoyed genuine support at the time, revealing the trade-off between maximising tax revenue and other objectives that Mozambique's leaders had to navigate. Both countries' records in terms of post-conflict tax collection do suggest that opportunities for elite accumulation were rarely sacrificed in favour of greater public spending, but this amounts to a specification rather than a qualification of the study's core argument.

Distributional aspects of public expenditure and service delivery

If the revenue side of the budget equation was marked by the weakness of measures with a deliberate and immediate redistributive impact, the expenditure side bears out the priorities of the Mozambique's and Angola's ruling coalitions with regard to the allocation of resources and benefits across broader swathes of the population more clearly.

As Tony Hodges and Roberto Tibana have observed, "in Mozambique, three key features of the budget game stand out: the fragmented, incremental nature of the budget process within government; the role of the donors as the main interlocutors of the government; and the weakness of internal demand, through parliament or from civil society, for improved management of public finances."[95] Especially during the initial reconstruction period, the most distinctive manifestation of these features was the fact that a large share of expenditure occurred off-budget, as donors directly channelled money through specific projects. These flows frequently exceeded the allocation of resources from the official state budget, notably in areas like education, health, and agriculture. Only towards the beginning of the next decade did the Mozambican government gain stronger central control over resource flows, aided by the increased focus on general budget support (GBS).

Throughout the reconstruction period, there was a strong professed emphasis on the issue of poverty reduction in Mozambique. Following up on an initial "Social Dimensions of Adjustment" project led by the World Bank, the government established a Poverty Alleviation Unit within the Ministry of Planning and Finance and published both a Poverty Reduction Strategy and a Government Programme that identified poverty reduction as a priority in 1995.[96] The period immediately around the end of conflict also witnessed a shift of resources from the areas of defence, subsidies and public wages towards social expenditure in a broad sense. The share of the three categories just mentioned was reduced from 35 percent in 1985 to 18 percent in 1993,[97] largely thanks to a drastic reduction of armed personnel from 100,000 to 11,000,[98] combined with the readiness of the UN and

[95] Hodges and Tibana 2004, 8.
[96] Fozzard 2002, 10.
[97] Abrahamsson and Nilsson 1995, 121–122.
[98] Addison and de Sousa 1999, 168.

bilateral donors to cover a large share of the cost of disarmament and reintegration.[99] Over the course of the 1990s, spending on education and health as a share of total recurrent expenditure expanded considerably, from 9 percent to almost 20 percent and from 4 percent to more than 8 percent respectively between 1994 and 1999. In per capita terms, this meant an increase from $1.87 to $5.48 in education and from $0.93 to $2.26 in health.[100]

As part of its Action Plan for the Reduction of Absolute Poverty (PARPA), adopted in 2001 in close sequence with the formalisation of general budget support, the Mozambican government committed itself to a target of allocating 65 per cent of government expenditure (excluding interest payments) to six priority sectors, including education, health, infrastructure (roads and water), agriculture and rural development, good governance, and, counter-intuitively for a list of priorities, "others."[101] Although the PARPA was closely modelled upon IMF and World Bank precepts for poverty reduction strategy papers and driven by deadlines for the country's inclusion in the debt relief initiative for highly indebted poor countries (HIPC), its specific content was reportedly overwhelmingly determined by the government.[102]

Effectively, the 65 percent spending percent target simply meant maintaining the share of spending on the identified priority sectors at a constant level – as a joint evaluation of general budget support by various donors observed, "budget allocations to priority ("pro-poor") sectors were already high and increasing before PGBS existed […] increasing the resource envelope subject to the Budget has not had the effect of changing the pattern of budget allocation further in favour of pro-poor expenditure."[103] While the approach to pro-poor spending was thus in a sense rather conservative, Mozambique also registered

[99] Chan and Venâncio 1998; Manning and Malbrough 2010.
[100] Fozzard 2002, 16.
[101] Hodges and Tibana 2004, 29.
[102] Fozzard 2002, 12.
[103] Batley, Bjørnestad, and Cumbi 2006, S4.

significant advances in poverty reduction in its early reconstruction period, at least when considered at the aggregate level. Between 1996/97 and 2002/03, consumption poverty fell from 68 percent to 54 percent, an "extraordinary reduction" in the eyes of the GBS evaluators.[104]

However, this aggregate picture masked significant geographical variation, as well as the maintenance of practices that privileged the interests of key Frelimo constituencies rather than the poorest segments of the public. In geographical terms, there were drastic differences in per capita spending between different provinces, with expenditure in the city of Maputo (ca. MT 480,000) about twice as high as in Zambézia and Nampula (200,000-250,000) in 2002/03. As Hodges and Tibana have pointed out, "what is particularly interesting is that, with some exceptions, the distribution of per capita expenditure tends to be in inverse relationship to the incidence of poverty, particularly for the provinces with the highest levels of expenditure per capita."[105]

To a certain extent, these patterns reflect historical path dependencies, combined with the absence of a concerted effort to reduce ingrained disparities in social infrastructure through state-led investment. As a donor economist pointed out, "with regard to roads or health and education infrastructure, the first step was to re-establish what had already been there, and that had already been highly unequal. […] Investment is also driven simply by bureaucratic presence […] The initial needs were so big that everything that was done was important, but the structure [of geographical disparities] did not change."[106] Recurrent expenditure on teachers, nurses, and so on therefore logically continued to exhibit considerable imbalances as well.[107] As the official just cited further emphasised, the

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[104] Ibid., S8.
[105] Hodges and Tibana 2004, 32. A notable outlier is the Northern province of Niassa, which combines high rates of poverty with large per-capita expenditures. This is, however, largely attributable to the province's extremely small population.
[106] Interview with donor economist, Maputo, November 2017.
[107] Hodges and Tibana 2004, 53.

perpetuation of these patterns was, paradoxically, enabled by a rhetoric of national unity that precluded the discursive politicization of regional interests. While she considered the fact that "it is seen as politically impossible to make any commitments to territorial priorities" as a legacy of an approach of "spreading the misery equally,"[108] it also served as a defence against the articulation of grievances by objectively disadvantaged social groups.

While poverty is undoubtedly widespread even in Mozambique's comparatively well-off areas,[109] the results of this failure to address regional disparities are stark: an analysis of access to health services for instance found that the number of service units per capita as of 2000 was more than 5 times higher in Maputo than in Zambézia or Cabo Delgado,[110] and an assessment of the secondary education sector showed that as of 2009, there were still four times as many schools per capita in Maputo city than in Cabo Delgado, Niassa, Tete, or Zambézia.[111] As already noted in the chapter on infrastructure, similar patterns emerged with regard to the distribution of access to electricity, basic sanitation, etc. For example, household electrification levels ranged from more than 30 percent in Maputo province (and almost complete coverage within the capital itself) to less than 3 percent in Cabo Delgado as of 2014.[112]

These geographical disparities in spending also manifested themselves in socio-economic outcomes – as such, "the results [of a 1996/97 household survey were] startling and politically contentious, not so much because of the high incidence of poverty, which was widely anticipated, but because of the wide and consistent regional differences in the

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108 Interview with donor economist, Maputo, November 2017. See also Hodges and Tibana 2004, 10–11, who note a "taboo on discussing issues of territorial equity in resource allocation and service delivery."
109 Paulo, Rosário, and Tvedten 2007.
110 World Bank, "Mozambique Public Expenditure Review, Phase 2: Sectoral Expenditures, Report No. 25969-MZ, 22 September 2003, p. 75.
111 Vines et al. 2015, 40.
112 SIDA, "Facts: Rural electrification in Mozambique", available online at https://www.sida.se/English/where-we-work/Africa/Mozambique/examples-of-results/Inacio-Yemusee-Dyaha-in-Mozambique/Facts-Rural-electrification-in-Mozambique/, accessed 10 August 2018.

level of deprivation."[113] Poverty and destitution were found to be significantly more common in the central and northern provinces than in the south of the country, with the worst results in Sofala, Inhambane, Tete, and Niassa provinces. The conspicuous overlap of these disparities with historical patterns of Renamo support is difficult to overlook. As Michel Cahen has highlighted, budgetary processes were also in some instances actively used to undermine or indeed "destroy" municipalities in which Renamo was strong, for instance by "allocating the state budget only after long delays and never approving special local development plans."[114]

With regard to the thematic allocation of spending, perhaps the most salient observation in Mozambique concerns the large share of the budget that was dedicated to the maintenance of the civil service. Indeed, unlike most other countries undergoing a structural adjustment programme, the number of civil servants in Mozambique was never significantly reduced after 1992, but rather "steadily increased since the end of the war."[115] This, in fairness, partly reflected the fact that the Mozambican civil service had actually been comparatively small from the outset (with a payroll of around 100,000 people as of 1990), but it meant that salaries accounted for more than 40 percent of recurrent government expenditure throughout the 1990s.[116]

Following a challenging period in the first half of that decade, when the withdrawal of price controls threatened to make life in the cities unaffordable and led to serious discontent – as the World Bank observed, "by increasing consumer prices past the ability of a significant proportion of the urban population of Maputo and Beira, government may open itself to other problems that could affect its constituency"[117] – the government also

[113] Fozzard 2002.
[114] Cahen 2011.
[115] Fozzard 2002, 21.
[116] Hodges and Tibana 2004, 54.
[117] Quoted in Hanlon 1991, 130.

sought to assuage this important group through substantial salary increases in 1998, 1999 and 2000. These were further combined with a "decompression" that enabled salary hikes especially at the higher end of the spectrum.[118]

These steps were taken against the resistance of the IMF, which was determined to keep the public wage bill in check and negotiated with the Mozambican government to decrease this spending category to 7 percent of GDP. However, this constraint was in many instances circumvented by simply accounting for personnel expenditure as investment spending.[119] Moreover, a lack of unity among donors on this matter also allowed President Guebuza in later years to defy this precept outright, exemplified by his ostentatious hiring of 10000 teachers as one of his first acts in office.[120] Ultimately, as Hodges and Tibana have pointed out, avoiding any antagonism with state employees was a consistent and foremost political consideration for Frelimo: "The main interest of the politicians involved in overseeing the budget process is to ensure the continued functioning of the state apparatus and the payment of salaries to the countries' civil servants. Any interruption or delay in salary payments poses the most direct political risk, since it undermines support for the ruling party in an influential part of the population, which has historically been part of its main support base."[121]

Another important budgetary prioritisation in a similar vein concerned the maintenance of significant subsidies not just for essential foodstuffs, but also for less vital goods such as fuel or electricity that mainly benefitted an already relatively privileged part of the population. As a donor representative with substantial experience in the budget discussions recalled, especially the World Bank did a lot of analytical work on the inefficiency of these allocations that was meant to "serve as ammunition for the discussions

[118] Fozzard 2002.
[119] Hodges and Tibana 2004. See also Sulemane 2007.
[120] De Renzio and Hanlon 2009.
[121] Hodges and Tibana 2004, 76.

with government", but ultimately this effort "did not really get anywhere."[122] In the words of a former IFI official, despite donor concerns "the government just did its thing" on this matter, and the incentives facing donors ultimately prevented a genuine stand-off – "the G19 [group of donors involved in general budget support] did not want to spoil the game, they also needed to be here."[123]

How politically astute Mozambican ruling elites were with their insistence on the maintenance of these subsidies was borne out by the consequences of eventual attempts of withdrawing some of them in 2008 and 2010 – in February of the former year, a 50 percent increase in the price of public transport as a result of an elimination of fuel subsidies caused riots in Maputo and the suburb of Matola that virtually paralyzed the city for several days. In September of the latter year, an increase in the price of bread precipitated further unrest, in this instance resulting in 13 deaths and hundreds of injuries, as well as the looting of more than 30 shops.[124]

Finally, an important non-monetary form of state-led distribution to the benefit of the same social strata proceeded through the privatization of the state-owned housing stock. Justified with the state's lack of capacity to maintain the large number of properties that had been nationalized after independence, large amounts of real estate especially in Maputo were sold to private buyers in the early 1990s. In addition to relieving the state from the burden of managing these houses, the proceeds from these sales were also meant to be partly recycled through a Housing Investment Fund (*Fundo de Fomento de Habitação*, FFH) in order to provide further affordable housing. However, the often nominal prices at which properties changed owners meant that the resources available to the FFH remained minimal, and by 2004 the fund had built merely about 1,000 units throughout the country

[122] Interview with donor economist, Maputo, October 2017.
[123] Interview with former IFI official, Maputo, November 2017.
[124] Vines et al. 2015, 32; De Brito et al. 2014.

(in addition to laying out about 7,500 plots of land for construction).[125] Due to the challenges inherent in actually implementing significant construction projects especially in light of the fund's limited managerial capacity, a significant share of its resources was also used for the provision of small loans between US$ 1,000 and 5,000, at comparatively attractive interest rates around 8 percent.[126]

For the new private owners of the previously state-owned properties, in any case, the scheme was highly lucrative. As one of Jason Sumich's informants, whose family had participated in the process, recalled, "the boom in property prices was amazing. You could buy a house for under US$ 100 and then rent it to the Swiss or the UN and all the peacekeeping missions for thousands. People made fortunes."[127] According to Sumich, especially against the backdrop of the otherwise rather austere situation of the 1990s, "the effects of the housing giveaway were widely felt and the rents from such houses comprised a considerable part of many people's incomes. While this was still primarily restricted to relatively privileged urbanites and those with the political connections to gain and control property rights in a murky legal context, it was probably among the most economically inclusive aspects of capitalism in Maputo."[128]

In summary, public expenditure and state-led resource allocation in Mozambique in the first decade-and-a-half after the end of the civil war were marked by a seemingly consistent emphasis on "pro-poor" measures, but upon closer inspection also by considerable geographical and social stratification of benefits, which corresponded to a clear political rationale of privileging important Frelimo constituencies. That the latter was possible despite significant donor scrutiny is partly explained by the general prevalence of poverty across the country, which meant that even spending on relatively privileged groups

[125] Maugeri, Nhabinde, and Quintella 2015, 61.
[126] Interview with João Tique, former head of the FFH, Maputo, November 2017.
[127] Quoted in Sumich 2018, 106.
[128] Ibid., 107.

could in many instances be justified as still "pro-poor." This explains to a large extent why, despite the biases highlighted in this analysis, "the Government's choices regarding resource allocation have generally been endorsed by international financing partners."[129]

Indeed, to the extent that open conflict between the government and its donors occurred, it typically concerned the aggregate level of public spending, rather than distributional concerns. In this context, while some observers have vocally criticised especially the IMF for its focus on fiscal consolidation,[130] it is worth noting that the Mozambican government was still able to increase budget expenditure and to run considerable fiscal deficits throughout the period under scrutiny. This tendency was amplified during the Presidency of Armando Guebuza, with deficits averaging almost 5 percent of GDP every year, which precipitated an increase in public debt from 37 percent in 2006 to 77 percent of GDP in 2015.[131] While some have interpreted the growing and sometimes ostentatious public spending of this period as an indication of a populist strategy aimed at broadening public support, which in this instance also specifically included some historically disadvantaged areas,[132] social inequality increased further and advances in poverty reduction ground to a halt in these years.[133]

In Angola, the importance of public expenditure after 2002 reflected a significant reversal of the role of the state in public life. In sharp contrast to the extended period of withdrawal and retreat from core governance tasks described above, the Angolan government after the end of the civil war swiftly initiated a shift towards a more "caring and constructive image,"[134] reviving historical party rhetoric about "resolving the problems of the people." While Christine Messiant has argued that this move was largely for external

[129] Fozzard 2002, 50.
[130] E.g. Hanlon 1991; Hanlon 1996.
[131] Orre and Rønning 2017, 19.
[132] Mosca 2012; Rosário 2012.
[133] Arndt, Jones, and Tarp 2015.
[134] Messiant 2007c, 107.

consumption, there can be no doubt that it also resonated with the MPLA's self-image, and that it did have undeniable consequences in terms of state activism beyond a mere change in rhetoric.[135] In line with the large-scale infrastructure investment discussed in Chapter Two, the MPLA increasingly embraced a "relentlessly modernizing, Jacobin version of state-building: the country would be occupied, administered, systematised."[136]

However, for the most part this was more a matter of establishing structures of control and oversight, rather than of advancing actual public service delivery, especially outside the major urban centres. The low priority accorded to important social expenditure categories such as health and education is apparent even from a cursory examination of the Angolan budget for any given year: In 2007, for example, these two categories accounted for only 3.7 percent and 5.6 percent of expenditure respectively, with half of the latter falling into a generic residual category while pre-primary, primary, and secondary education cumulatively accounted for merely 0.6 percent.[137]

While Angolan officials sometimes point out that, given the large size of the Angolan budget in regional comparison, these allocations were still substantial in absolute terms, measurable outcomes were almost invariably disappointing. According to UNICEF, as of 2011 less than 1 out of 10 Angolan children had access to preschool, almost a quarter of children of the relevant age group was not in primary school, and more than a million of school-age children were out of school overall. In rural areas, enrollment ratios were as low as 38 percent.[138] With regard to health, the World Bank's 2007 public expenditure review concluded that "except in a few areas, Angola is worse than most of Sub-Saharan

[135] As Ricardo Soares de Oliveira puts it, "the focus of the MPLA is less on specific reforms than on reformism itself whose definition it alone provides. The result is that this modernizing language is strong but not really about results: it is about the party looking at itself in the mirror and liking what it sees." Soares de Oliveira 2015b, 81.
[136] Soares de Oliveira 2013, 174.
[137] Ministerio das Finanças (Angola), "Resumo da despesa por função, 2007", on file with the author.
[138] Duval Smith, Alex, "Angola is facing a teaching crisis that seems without end", The Guardian, 13 October 2011.

Africa countries [sic] in coverage of key services", and that "more than 60 percent of the population does not have reasonable access to health care."[139] Meanwhile, considerable amounts of government funding flowed towards a small number of Luanda-based clinics with state-of-the-art facilities, which despite their public status reportedly charged patients hundreds of dollars in order to be attended to.[140]

The scant attention to public service provision especially in rural areas was complemented by a politicization of delivery of the services that were made available. This was facilitated by a consistent blurring of the boundary between the party and the state, which have typically been represented by the same official. As an NGO official interviewed by Ricardo Soares de Oliveira observed, "you rarely see the municipal administrator doing anything, he gives nothing to people in that capacity; the handouts and generosity always come from the party or party-related organisations." Members of the public therefore see "the private distribution of goods via MPLA structures as more reliable and are likelier to 'reclaim privileges through the party branch than try [to secure] rights as citizens'".[141] This picture was matched by a co-optation of traditional authorities (*sobas*) into the party-state apparatus – by 2012, more than 80 percent of the country's approximately 50,000 *sobas* received a government salary.[142]

In addition to the latent urban bias in public spending (which could to an extent be justified by the country's rapid urbanization and the dire conditions especially in many of the peri-urban *musseques*), the Angolan government consistently tended to prioritise measures that mainly benefitted already privileged segments of the public, rather than the poorest. This tendency manifested itself in myriad areas, ranging from the extraordinary

[139] World Bank, "Angola Public Expenditure Review, Volume II: Sectoral Review", Report No. 39710-AO, 20 December 2007, p. 82.
[140] Jones, Mayeni, "Angola's state hospital poor people assume is private", BBC News, 21 September 2017.
[141] Soares de Oliveira 2013, 175–176.
[142] Ibid., 177. See also Orre 2010.

amount of resources dedicated to large-scale urban prestige projects such as the costly remodelling of Luanda's waterfront avenue to less visible but vital practicalities, such as the channelling of a large share of funding in the area of water supply towards the expansion of household connections rather than the construction of shared stand posts or wells.[143]

Perhaps the clearest manifestation of this pattern occurred in the area of state-led housing provision, which Sylvia Croese has recently analysed through the lens of "developmental patrimonialism."[144] This important element of the reconstruction agenda gained salience with the MPLA's widely publicised commitment in the context of the 2008 electoral campaign to build "one million houses" by 2012, a highly ambitious (and eventually unmet) pledge that was later clarified to comprise 115,000 houses to be constructed by the government, 120,000 by private investors, 80,000 through cooperatives, and the remaining 685,000 through "assisted self-construction."[145]

As Croese has shown, resources were in practice heavily concentrated on direct, state-led delivery as well as in the provinces of Luanda, Cabinda, and Lunda Norte, which were ostensibly prioritized as they "historically represented (potential) sites of political unrest and [as] their inclusion in the ruling coalition was therefore crucial."[146] Although even cases like the US$ 4.2 billion Kilamba Kiaxi development outside Luanda have sometimes been referred to as "social housing projects," units have mostly been priced at a level that makes them unaffordable for most Angolans.[147] In addition, the management of application and allocation processes through agencies run by Presidential confidants and later Sonangol's real estate arm SONIP assured discretionary control over these procedures,

[143] Interview with NGO representative, Luanda, July 2017.
[144] Croese 2017.
[145] Croese 2010, 19.
[146] Croese 2017, 95.
[147] See also Pitcher 2017b, 10ff. Ironically, the introduction of subsidised loans and rent-to-buy schemes with reportedly frequent instances of failure to repay means that the state does in fact provide this housing at highly subsidised rates, but mostly not to the segment of the public most in need of this kind of support. There are examples of projects that genuinely merit a designation as social housing, but these can hardly be considered the government's primary priority – see Buire 2014.

and some specific instances of preferential treatment of MPLA supporters have been reported.[148]

The principal beneficiaries of improved public service provision in post-war Angola have thus tended to belong to the same constituency that also receives resources directly from the state through public employment. Even though a certain number of attractive positions has been created in the private sector, employment in the civil service, at Sonangol, and at other state-owned enterprises continues to account for a large share of available "middle class" jobs in the country. As such, the size of the civil service expanded in the post-war era to comprise almost 470,000 officials,[149] who also benefitted from several rounds of significant salary increases. In addition, Angola maintained one of sub-Saharan Africa's largest armed forces, with a headcount of 107,000 as of 2013 and thus hardly any reduction from its wartime size.[150] According to IMF data, state employee compensation accordingly accounted consistently for about a third of all central government expenditure in the period 2010-2014.[151]

Taken together, the state-led distribution of resources in Angola has been geared not towards a universal expansion of public service delivery and the levelling of social inequalities, but rather towards the amplification of class differentiation and the promotion of a largely Luanda-based middle class or "national bourgeoisie." This group is seen as the core of the MPLA's public support base, and undoubtedly represents the segment of the public that has most tangibly benefitted from Angola's trajectory since 2002.[152] Although significantly broader than the very small group of insiders that have acquired wealth in

148 Croese 2017, 95.
149 CEIC 2017.
150 IISS 2013, vol. 113, 493.
151 IMF 2017.
152 Soares de Oliveira 2015b, 82–83. This term, ubiquitous in Angolan political discourse and very actively used by the MPLA itself, is somewhat ambiguous in that it is also often used to refer to the much smaller group of domestic "private sector" capitalists familiar from the previous chapters.

post-war Angola through business activities, this group is not nearly large enough to in itself ensure an electoral majority, even if all of its members were indeed reliably loyal to the MPLA. But it does comprise most people who are deemed capable of posing a significant political challenge on account of their capacity for violence (army and veterans), their ability to disrupt the functioning of the state (civil service), or their potential to mobilise politically at a significant scale (urban dwellers, especially those with higher levels of education).

The fundamental parallels to expenditure patterns in the Mozambican case analysed in the first part of this section are hard to overlook, even if the smaller amount of resources at the disposal of Frelimo leaders, combined with donor pressures for pro-poor spending, attenuated some of the tendencies that stand out so starkly in Angola.

Conclusion

State-directed redistributive interventions represent a major aspect to be considered in assessing the political economy dynamics prevailing in a given country, as they may significantly alter the distribution of resources and benefits otherwise resulting from the operation of the economy. In the cases of post-conflict Mozambique and Angola, measures in this vein have indeed been used in order to somewhat broaden the group of beneficiaries from post-conflict economic recovery, but not to fundamentally alter patterns of inequality resulting from the characteristics of their economies as explored in the previous chapters.

Against the backdrop of the availability of alternative revenue sources – petroleum in the case of Angola and foreign aid in the case of Mozambique – both countries' governments were hesitant to foster domestic revenue collection through taxes, and the available evidence does not suggest any deliberate effort to design the latter with a view to distributional considerations.

In terms of public expenditure, the two cases exhibit a degree of divergence with regard to the greater emphasis on broad-based spending categories such as health and education in Mozambique, which to a large extent appear to be attributable to the expectations of donors in this regard. At the same time, however, there are also important parallels between the two cases with respect to a geographical and socio-economic stratification of benefits that is fundamentally aligned not with the aims of poverty reduction and the smoothening of economic differences, but mainly with the maintenance of privileged conditions for established ruling party constituencies and a limited extension of benefits to other politically relevant groups.

This latter dynamic is indicative of a deliberate attempt to consolidate the ruling coalition's base of popular support, but also testimony to the fact that even in contexts that nominally feature competitive, multi-party elections, ruling elites are not necessarily incentivised to distribute substantial resources to an actual majority (let alone the entirety) of the population. As such, benefits have overwhelmingly accrued to groups capable of generating non-electoral challenges to the ruling coalition's hold on power, while strategies to obtain electoral support from large segments of the public especially in rural areas tended to rely on a most basic kind of openly clientelist distribution, as well as on leveraging the influence of traditional bearers of authority.

Taken together, this final analysis of a systemically important domain of economic reconstruction in Mozambique and Angola constitutes no exception to the thrust of all empirical chapters presented here, establishing significant parallels between the two cases with regard to distributional patterns and to dynamics in the relations of power and influence between different political and economic actors and groups. In light of these findings, then, two important themes already raised at the beginning of this study ought to be revisited. First, do the dynamics identified in both cases indeed coalesce into an internally coherent political economy of reconstruction, which is compatible with ruling elites' fundamental political priority of maintaining and strengthening their hold on power and viable also for the longer term? Second, to what extent are these dynamics generalisable to other reconstruction processes led by cohesive ruling elite coalitions across the globe, beyond the two cases considered in detail in this study? These are the central questions to which the following chapter returns.

Chapter Six: Understanding the politics of elite-led economic reconstruction

This chapter draws upon the findings of the preceding four chapters, as well as on the theoretical considerations in Chapter One, in order to present a synthesis of the study's core argument. As such, it delineates the defining characteristics of elite-led economic reconstruction in the two settings under scrutiny, evaluates the coherence and sustainability of this trajectory, and assesses its transferability to other relevant cases of post-war recovery. Echoing the study's title, the chapter highlights the balance between economic expansion and political control that ruling elites in Mozambique and Angola have struck in their approach to post-conflict reconstruction, as reflected in recurrent patterns in the design and implementation of policies across key domains of economic governance. These cases demonstrate that a form of post-conflict stabilisation and recovery can rest on fundamentally different political economy foundations than presumed in the liberal peacebuilding model, and that such dynamics are systematically associated with the specific incentives and constraints prevailing in settings where a cohesive ruling elite coalition emerges from conflict in a dominant position.

While emphasising the importance of evaluating the "success" of elite-led reconstruction on its own terms, rather than solely with regard to its compliance with liberal expectations, the chapter does not uncritically presume that the approaches employed by ruling elites have invariably been conducive to the overarching objective of consolidating their hold on power. Rather, it also interrogates tensions and emerging fault lines in the political economies of Mozambique and Angola, which are indicative of inherent challenges facing "illiberal statebuilders." As such, the chapter questions the effectiveness and durability of the pecuniary mechanisms contributing to the stability of both countries' ruling coalitions, and casts doubt on the extent to which the latter have been able to cultivate genuinely reliable broader constituencies through the allocation of economic opportunities and benefits. Moreover, it underlines the vulnerability of these economic strategies of regime consolidation to changes in exogenous conditions.

These considerations notwithstanding, the chapter finally reflects upon the extent to which the trajectory explored in this study resonates in other post-conflict settings featuring cohesive ruling elite coalitions, both in sub-Saharan Africa and across the globe. Although acknowledging important case-specific idiosyncrasies, as well as the potential existence of several sub-types of elite-led reconstruction, it affirms a fundamental unifying thrust with regard to the centrality of regime survival concerns and to the reconciliation of economic expansion and political control across relevant cases.

"Controlled expansion" in post-conflict Mozambique and Angola

The central argument of this thesis is that post-war settings featuring a cohesive elite coalition that has emerged from conflict in control of the state exhibit a distinctive and characteristic economic reconstruction trajectory. This trajectory, in turn, is rooted in a specific configuration of political incentives and constraints arising from this particular conflict outcome.

As explained in Chapter One on the basis of theoretical considerations, the availability of institutionalised mechanisms for the management of internal competition (frequently in the form of a party) as well as the lack of immediately threatening challengers creates incentives to strengthen the ruling coalition's bases of political support for the longer term through the cultivation of key constituencies, rather than to maximise the short-term appropriation of resources before rival elites come to power. The pursuit of such an agenda is also facilitated by an unusual degree of discretionary agency enabled by the malleability of post-war institutional arrangements, as well as the absence of a strong pre-existing business class. As a result, such ruling coalitions are inclined to adopt and implement policies that enable economic expansion and that channel the benefits of this process to specific, politically important, social groups, but without jeopardizing their political dominance through an uncontrolled diffusion of economic power.

This central argument is borne out throughout the empirical part of this study. In all of the areas considered here – infrastructure rehabilitation, financial sector reform, efforts to reinvigorate productive sectors of the economy, and taxation and public spending – efforts to foster post-conflict expansion while deliberately controlling access to economic benefits and opportunities have been identified as a critical driver of salient dynamics.

With regard to infrastructure, ruling elites in Mozambique and Angola have dedicated significant resources to investment but discernibly prioritised choices with a view to enabling particular kinds of economic activity in specific, politically relevant, geographical areas. Simultaneously, they have also leveraged the physical reconstruction effort itself as a major source of economic opportunities for political insiders.

In the realm of financial sector governance, they have reconfigured patterns of ownership and management in banking and engaged in selective regulatory reform, with the effect of ultimately strengthening rather than undermining their discretionary control over access to capital.

The impact of this configuration of enabling conditions on the productive sectors of both countries' economies was further amplified by the character of other reforms and initiatives to stimulate growth. As a result, these sectors have been marked by a pattern of partially rapid but also highly concentrated development, with a continuing strong role of the state as well as of a small group of politically connected oligarchs.

Finally, taxation and public spending as direct mechanisms for the state-led reallocation of resources were used to generate benefits for core regime constituencies beyond the minute set of those able to access large-scale business opportunities, and to spread the gains of economic recovery slightly more widely among the members of social groups that were seen as politically relevant. In contrast, these levers were not used substantially in order to improve the plight of the poorest segments of the population.

All of this clearly extends beyond a reactive management of external initiatives and policy priorities, and is indicative of a domestically-driven, longer-term agenda of reconstruction and regime consolidation. Even though considerable wealth accumulation among members of the ruling elite has undoubtedly taken place in both countries, short-term profiteering was not the sole objective of their activities, but instead embedded within a broader process of deliberately orchestrated societal change. While elements of centralised economic planning played a role in this process in both cases (and were also to an extent embraced discursively especially in the case of Angola), this fundamentally involved the establishment of market economies with a strong presence of private actors. Within this framework, ruling elites created enabling conditions for the successful pursuit of entrepreneurial ventures, but on a discretionary basis – that is, through the selective provision of support rather than through impersonal institutions and rules.

In conjunction with a strong reliance on politically unthreatening foreign capital and expertise, this approach resulted in a centrally controlled dynamic of economic expansion and provided the foundation for a two-fold effort at social engineering: First, at the elite level, it enabled the management of accumulation trajectories and hence the "internalisation" of the formation of a domestic business class, which came to consist overwhelmingly of political insiders and loyalists. Second, at the wider societal level, it ensured the disbursement of a peace dividend to a "substantial minority" of the public, typically building upon historical legacies of party allegiance and prioritising politically critical geographical areas, notably the capitals Luanda and Maputo.[1]

In sum, the specific situation facing the elite coalitions examined here at the end of conflict allowed them to reconcile the pursuit of two political objectives that elsewhere often stand in tension with each other: On the one hand, the active nurturing of a sufficiently broad base of popular support (typically requiring a reasonably strong economic performance to generate rents that can be distributed) and on the other, the careful management of elite competition, which tends to require the imposition of politically motivated constraints on economic actors and thus in many instances to undermine economic growth.[2]

The elements identified in this study thus coalesce into an internally coherent approach to post-conflict economic reconstruction that corresponds to a set of foundational political economy assumptions, albeit very different ones than those informing the liberal peacebuilding paradigm. As shown in Chapter One, the latter stresses the importance of expanding economic freedoms in tandem with addressing the material grievances of the poorest segments of the public. Its fundamental objective is to create an inclusive socio-economic order that is widely accepted as fair and thereby undermines incentives and acceptance for violent resistance. In contrast, the approach of elite-led economic reconstruction examined in this study is organised around the imperative of restrictive political control over access to economic opportunities, the management of elite competition through the co-optation of allies and the marginalisation of potential challengers, and the allocation of benefits to politically relevant constituencies that may otherwise have the capacity to imperil the consolidation and survival of the regime.

[1] See also Jones, Verhoeven, and Soares de Oliveira 2013, 11ff.
[2] North, Wallis, and Weingast 2009; North et al. 2013.

Consistent with intuitive expectations at the stage of case selection, Angola represents in many regards an extreme case of this kind of elite-controlled economic reconstruction. On account of the country's resource wealth, the pursuit of domestic political priorities was in this case largely unfettered by the ideas and prescriptions of the external actors usually held to play central roles in post-conflict environments (even if the country's economy has been in many regards highly internationally oriented, and thus certainly not completely aloof of exogenous influences and constraints).

At the same time, these case-specific circumstances nevertheless also caution against a portrayal of the Angolan experience as paradigmatic. Indeed, post-conflict growth in this case was to a considerable extent driven by a historically specific conjuncture of enabling conditions, most notably including an exceptionally high oil price that resulted in large windfalls accruing to state coffers between 2002 and 2008. These circumstances provided ample resources for large-scale government spending and rendered the Angolan market inherently attractive also to foreign investors at least in some sectors, yielding an impressive expansion despite the adoption of many policies that would likely have stifled growth in a less permissive environment (and demonstrably did so once global oil prices durably dropped, as discussed below). This situation also significantly reduced the pressure on Angolan ruling elites to ensure that emerging capitalists benefitting from politically mediated access to business opportunities would actually engage in genuinely productive activities, resulting in a poor record of industrial and agricultural development and contributing to a continuing prevalence and even deepening of classical rent-seeking behaviour.

In Mozambique, important elements of the liberal agenda (and in particular of its heavily market-oriented, business-friendly iteration of the 1990s) played a greater role than in Angola. This was undoubtedly in part attributable to Frelimo's incomparably greater dependence on donor funding, a factor that also had a discernible influence in terms of promoting a greater focus on poverty reduction despite a more limited volume of resources at the government's disposal. It also in some regards reined in the process of politically-directed elite accumulation when compared to the excesses observed in Angola. Besides donor pressure, though, the favourable conditions offered to foreign investors in particular also simply reflected the lack of any obvious alternative that could plausibly have generated equally significant growth rates, at least until the intensification of natural resource exploration in the mid-2000s.

Politically, greater resource constraints and external pressures for liberalisation in Mozambique did have the effect of exacerbating factional dynamics within the ruling coalition, as well as of limiting Frelimo's ability to reliably satisfy the aspirations even of core constituencies, as discussed in greater detail below. But fundamentally, the party and its leadership never relinquished its far-reaching control over the process, be it in terms of finding new mechanisms for directing access to capital, steering and limiting the privatisation of state-owned enterprises, or ensuring that infrastructure investments and public expenditure commitments reflected its political priorities. Observers noted early on that the stability of the Mozambican political situation amid substantial economic change was on the whole remarkable, given that "one would have expected that this internationally directed process, coupled with the political system, would serve as a lightning rod for a whole range of domestic constituencies threatened by change."[3] More to the point, post-war economic reforms ultimately proved absolutely critical in Frelimo's reconfiguration of its bases of power.[4]

[3] Alden 2001, 97.
[4] As elegantly captured in Anne Pitcher's concept of "transformative preservation", see Pitcher 2008.

Unquestionable specificities of each of the two cases notwithstanding, the parallels identified with regard to key dynamics in their respective economic reconstruction trajectories remain striking, especially in light of contrasting contextual conditions with regard to levels of donor involvement, economic structure, and the specific circumstances of conflict termination. Before deepening the discussion of the extent to which the trajectory of "controlled expansion" exemplified by these two cases resonates in other instances of economic reconstruction led by cohesive ruling coalitions, some further reflection is warranted with regard to the coherence and sustainability of this trajectory as it has manifested itself in Mozambique and Angola.

Assessing the coherence and sustainability of "controlled expansion"

As noted above, the approach of "controlled expansion" that can be observed in Mozambique and Angola relies, at its core, on the successful management of a process inherently fraught with tensions, rather than on the simple execution of a set of obviously coherent policy choices. It amounts to an attempt to centrally engineer transformative societal processes that have unfolded over extended historical periods in other contexts, and seldomly so without conflict. Although the settings examined here presented ruling elites with unusually propitious conditions for handling the contradictions arising in these processes, the success of these projects is therefore clearly not pre-ordained, even if considered entirely on their own terms (that is, above all with regard to the question of regime consolidation rather than to other criteria).

In both cases analysed in this study, ruling elites have undoubtedly managed to establish strong material incentives for political allegiance while eschewing the rise of serious challengers with independent resource bases, accomplishing a degree of hegemonic control that would have been unlikely on the basis of sheer repression or manipulation of the political playing field. Nevertheless, the political economies of both countries also exhibit significant fault lines that may imperil the dominance of the respective ruling party in the longer term. Indicative of challenges facing illiberal modernizers elsewhere as well, these concern the perpetuation of unity within the ruling coalition, the handling of the aspirations and grievances of included as well as excluded popular constituencies, as well as the adaptation to changing exogenous conditions.

In terms of the management of elite competition and the maintenance of unity within the ruling coalition, Frelimo and the MPLA have both clearly managed to assert themselves as gatekeepers to major economic opportunities, generating tangible incentives for continued allegiance and constraining the political autonomy even of actors that have amassed significant wealth.

Important indicators of this are the docile posture of formal business associations and the character of political financing in both countries. In Angola, significant associations such as the Associação Industrial de Angola (AIA) or the more recent Associação Empresarial de Luanda (AEL) have enjoyed some salience in the (limited) public debate on economic policy issues, which has been fostered by the emergence of independent media outlets such as the business weekly “Expansão”. But their public advocacy has generally been focused on specific economic policy concerns and carefully remains within the boundaries of the politically acceptable, whereas instances of more systemic criticism voiced by businesspeople have remained extremely rare. In part, this is a direct consequence of the dependence of most business ventures on the state – as one more outspoken local businessman remarked, “it is always the same five people saying something critical, and these are already stamped to some extent and also have to be careful, because they also require approval of foreign exchange, permits, and so on sometimes.”[5]

[5] Interview with Angolan businessman, Luanda, October 2016.

Under these conditions, the notion that, for example, significant funding for opposition parties could become available through private banks remains fanciful,[6] as would be the provision of financial support to civil society organisations seen as critical of the government. As a civil society activist observed, Angolan businessmen exhibit "little interest or sensibility for social questions," and significant corporate support is only really conceivable for organisations such as FESA or OMA (Organização da Mulher Angolana, Angolan Women's Organisation), the former being closely associated and the latter even institutionally part of the MPLA.[7] Relatedly, Svein-Erik Helle has noted that "the […] control of both the public and private economy by the MPLA makes it impossible for even private businesses to contribute with any money to the opposition parties," rendering the latter financially highly vulnerable and ensuring their continuing reliance on state subsidies.[8] In the words of one of Jon Schubert's informants, "UNITA doesn't have any entrepreneurs – whoever does business and is associated with the opposition, it's a guaranteed *fracasso* (failure)."[9]

Meanwhile, the foreign firms playing such a prominent role in the country's economy tend to be collectively organised by country of origin at best (notably through Chambers of Commerce), and generally steer clear of any domestic debates that are seen as politically sensitive. One of the very few instances of significant political engagement by a foreign firm in Angola that has become publicly known has been an alleged major

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[6] In contrast to the cases described by Arriola 2013.
[7] Interview with NGO representative, Luanda, September 2016. The willingness of corporate actors to engage with FESA is obvious, as the organisation's supervisory board comprises representatives from an array of well-known firms - see http://www.fesa.og.ao/index.php/fundacao/organizacao, accessed 4 December 2018. There is no evidence of large-scale corporate donations to OMA, but the organisation has for instance benefitted from microcredit loans being disbursed specifically to its members by the microfinance branch of BAI – see Angop, "Membros da OMA recebem financiamento", 7 October 2011.
[8] Helle 2011, 97. A representative of the Open Society Foundation of Southern Africa (OSISA) interviewed by Helle accordingly described opposition parties as "hostages of the ruling party."
[9] Schubert 2016, 13.

Odebrecht contribution to the MPLA's 2012 electoral campaign, reportedly covering 20 of the US$ 50 million paid to a Brazilian advertising agency.[10]

In Mozambique, formal business representation works mainly through the CTA, a confederation of business associations established with strong support from donors, especially USAID. As Anne Pitcher has observed, this particular institutional genesis led to a situation in which "the CTA existed in a creative tension between pleasing donors, representing the views of its own members, and cooperating with government."[11] Contrary to donor expectations of business lobbying for market-oriented policies, membership demands have often had a distinctly protectionist bent. A foreign business representative also emphasised the strong overlap of the association with Frelimo and the government, and described it primarily as a conduit for privileged access for its members: "The CTA has an official reform agenda, but they solve the real problems of their members through other channels […] They use a rhetoric of private sector development, but sometimes you rather get the impression of a mafia-like network."[12]

Besides the CTA, which is supposed to act as an umbrella organisation bringing together a range of smaller associations, ACIS (Associação de Comércio, Indústria, e Serviços) is the second principal association visible in policy debates in Mozambique. Having originated in Sofala province, ACIS is widely seen as more independent from the government and the Frelimo party. In the words of a civil society representative, "they really change the narrative and challenge the CTA. […] They did not allow the CTA to kill them, as happened with [other associations]."[13] While ACIS representatives interviewed

[10] Casado, Leticia, Camila Mattoso, and Rubens Valente, "Odebrecht pagava campanhas para manter 'grandes negócios'", Folha de São Paulo, 12 May 2017.
[11] Pitcher 2012, 171.
[12] Interview with foreign business representative, Maputo, October 2017. Similarly, a CTA representative interviewed by Pitcher described the association as a "cobweb." In Pitcher's words, "the linkages between the state and business were so interconnected they could not be disentangled," and the CTA membership consisted of "people whose loyalty to Frelimo was without question." Pitcher 2012, 182.
[13] Interview with Fátima Mimbire, Centro de Integridade Pública, Maputo, November 2017.

for this study also highlighted several examples of how the association was "not only working for its members, but also for society,"[14] the organisation however still clearly remains primarily focused on pragmatically addressing specific business concerns with the government in a mostly cooperative fashion.

More generally, this associational activity occurs within a context in which the Frelimo ties of many large businesses are well-known (as evident throughout the preceding chapters of this study),[15] and in which even a survey of SMEs found that a third of respondents identified themselves as members of the ruling party.[16] The consequences in the realm of political financing are comparable to the situation observed in Angola, even though Frelimo's hegemony appears to be somewhat less complete in this regard. As Bruno-Wilhelm Speck has noted in a 2007 analysis, "most of the interviewed experts said corporate donors to Renamo commit economic suicide. However, the picture is not that clear. Some specialist commentators report that Renamo still has traditional donors from private investors and merchants who oppose the Frelimo government, including the Portuguese business community and Renamo friends in neighbouring African countries."[17] Meanwhile, Frelimo relied to a significant extent on membership contributions and state-subsidies, and only to a limited degree on corporate donations or the private wealth of key figures.[18]

In sum, Mozambique's and Angola's emerging business classes have thus far not acquired the role as agents of greater societal pluralism that is often ascribed to these groups. Their composition and stance reflects and indeed deepens the hegemony of the

[14] Interview with ACIS representatives, Maputo, November 2017. An example of such an effort was public advocacy against a law that would have enabled municipal police to stop traffic at any time to check documents, which was seen as raising corruption risks, and which was eventually modified to apply only to public transport vehicles.
[15] Chivangue and Cortez 2015.
[16] Survey conducted by the Mozambican Ministry of Planning and Development, 2012, quoted in Pitcher 2017a, 10.
[17] Speck 2007, 228.
[18] Speck 2007.

respective party in power, rather than challenging it. That said, it can of course not be excluded that a greater degree of political emancipation of Angolan and Mozambican capitalists may occur at some point in the future, irrespective of their frequent roots in the ruling party.[19] Some of the oligarchs have accomplished a level of wealth and internationalised their business interests to an extent that should have substantially reduced their dependence on continuing political support and their vulnerability to a withdrawal of privileges (although not necessarily their potential exposure to the coercive instruments of the state, especially in light of their frequent vulnerability to legal charges in the "system of general compromising" that has arisen from the nature of the initial origin of many entrepreneurs' wealth[20]).

Neither would it be correct to suggest that the provision of patronage in the form of business opportunities had been an exclusively centripetal force in both ruling parties – rather, growing economic stakes have also fed into rivalries and in some instances fuelled factionalism within Frelimo and the MPLA, albeit not to an extent that would have brought either of them to a breaking point for the time being.

In the Mozambican case, a sensitive period within the time frame under scrutiny clearly occurred during the early 2000s, when internal controversies over the handling of the scandals surrounding BCM and Banco Austral, interlocked with the private interests of prominent Frelimo members in the financial sector, led to highly visible rifts and culminated in the assassination of public figures caught in the cross-fire. These developments were arguably also exacerbated by the country's significant exposure to external pressures for liberalisation, which adversely affected ruling elites' ability to manage questions of access to economic opportunities in a centralised fashion.

[19] Pitcher 2017 raises this question with regard to the sustainability of "statist market economies" more generally.
[20] Messiant 2006, 19. See also Soares de Oliveira 2015b, 152–153.

More recently, several observers have described the party as again marked by growing factionalism, especially in light of the growing stakes that have resulted from major resource discoveries. The latter were further amplified by the concentration of these resources in the central and northern parts of the country, as well as by the lack of pre-existing institutional structures for centralised rent management. In this vein, Helena Pérez-Niño and Philippe Le Billon have for instance argued that "fragmented rents have led to the emergence of a constellation of groups with representation in Frelimo that have consolidated their business interests as shareholders and local partners for foreign investors. These sectors wield considerable political power and autonomy from a single source of authority within the party."[21] In particular, historical Frelimo figure General Alberto Joaquim Chipande's successful pursuit of business interests in the resource sector has been seen as increasingly placing him at loggerheads with former President Guebuza, while contributing to the rise of a "Northern" faction with growing influence under President Filipe Nyusi.[22]

In Angola, vast resource revenues and the resulting lack of exposure to external oversight and conditionality allowed the ruling coalition to manage these matters in a more centralised fashion, partly through a reliance on more openly statist strategies such as the direct involvement of Sonangol in many ventures across different sectors. However, this centralisation may in some regards have gone too far, to the extent that high-level economic access was increasingly seen as predicated on personal closeness to President dos Santos, rather than on membership in the MPLA as an organisation or even on holding high-level party offices. This arguably contributed to rivalries and a growing alienation of some important party figures. As Paula Roque suggested as early as 2009, "the president rewards

[21] Pérez Niño and Le Billon 2013, 24.
[22] See for example Africa Confidential, "Frelimo's gold rush", 12 April 2013; Issufo, Nádia, "Alberto Chipande, o influente 'general do norte' de Moçambique", DW Notícias, 14 January 2015. For an analysis of factions within Frelimo, see Orre and Rønning 2017, 40ff.

his closest allies—including the top-ranking officers in the Angolan Armed Forces—with opportunities that are unavailable to others. This dependence on dos Santos for access to state resources, business permissions, and favours has led to competition and factionalism within the ruling party and the elite."[23]

The perils of this personalist approach became apparent in the handling of dos Santos' long-awaited succession, which was decisively shaped by the selection of the MPLA candidate for the 2017 presidential elections. Although portrayed in many superficial media analyses as a "handpicked successor," the eventual front-runner João Lourenço benefitted considerably from support in party institutions, rather than personal closeness to the former President. Once elected, Lourenço then swiftly moved to break the stranglehold of the dos Santos family and their close associates over the economy. Taking an array of surprisingly aggressive steps, including the removal of Isabel dos Santos from her position as head of Sonangol, the removal of José Filomeno dos Santos from his position as head of the Sovereign Wealth Fund, and eventually even the arrest of the latter on fraud charges, the new President relied on the acclamation of a public that had grown ever more disenchanted with the dos Santos family, as much as on a rapid shift of allegiance among many beneficiaries of the previous dispensation. Whether these developments indicate a genuine move towards a less politically controlled economy or merely a replacement of key individuals within a fundamentally unchanged system remains to be seen, but the finite character of the dependencies cultivated by dos Santos has certainly been exposed.[24]

At the level of the broader popular constituencies whose material interests were prioritised during the reconstruction process, it is similarly unclear whether the two ruling

[23] Roque 2009, 147-148. See also Roque 2011.
[24] See also de Alencastro 2018, who proposes that Angola is undergoing a change towards a "negotiated hegemony" that departs from the "presidential absolutism" marking the dos Santos era. Vines 2018 provides a more detailed account of the personnel changes under Lourenço.

parties have genuinely succeeded in securing reliable long-term allegiances. As noted, in the case of Frelimo, the more limited volume of resources at its disposal implied that the party's ability to guarantee the material well-being of important support groups has always remained more precarious than in the case of the MPLA. As apparent throughout the preceding chapters and especially in the chapter on state-led redistribution, Frelimo actually adopted a more focused approach in this regard during the period under scrutiny here than during the socialist years, in the sense that it increasingly catered towards a core constituency of state employees while less vigorously defending the interests of broader groups of formal-sector workers and farmers (a clear effort to stay on good terms with organised labour notwithstanding). This shift was for instance apparent from the precipitous decline of the share of the latter categories among its congressional delegates (down from 57 percent at the party's 5th congress in 1989 to less than 8 percent at the 9th congress in 2006) and a concomitant rise of the share of state and party employees (which accounted for 70 percent of delegates by 2006).[25] Still, both during the early reconstruction years and in the context of more recent attempts to withdraw food and fuel subsidies, Frelimo's difficulties in satisfying the growing aspirations of even this more limited urban "middle class" have been palpable.

While the importance of party membership for professional and social advancement in Mozambique remains unquestionable,[26] it is indeed debatable to what extent Frelimo's relationship with this social stratum is adequately understood in primarily transactional terms. As Jason Sumich has persuasively argued, the objective material benefits derived from mere party membership are often limited, and the major societal cleavage in Mozambique does not seem to separate different pyramidal patronage networks but rather

[25] Morier-Genoud 2009, 160.
[26] For illustrative examples, see for example Sumich 2010.

a tightly circumscribed high-level elite exhibiting considerable internal solidarity and the rest of the population, including those in a relatively privileged position. The political allegiance of "middle class" Frelimo loyalists in many instances appears to stem not so much from the material advantages that they derive from the party's continuing incumbency, but rather from long-standing ideological commitments or even from a cynical calculus that is deeply sceptical about the intentions of political challengers. In Sumich's words, rather than benefitting from the largesse of a benevolent Frelimo patron, "many of Maputo's middle class seemed to sense a flow of wealth in the opposite direction and made a reasoned choice between those who are already rich and those who would have to steal more and leave them with even less."[27]

In addition, access to material benefits does not necessarily seem to easily translate into support for the political status quo – for example, a survey conducted in 2003 found that dissatisfaction with the country's democracy was actually greatest in the Southern part of Mozambique, even though economic growth and investment had unquestionably been concentrated in that region. Contrary to the rural population surveyed, a majority of urban dwellers also expressed dissatisfaction with the way democracy worked.[28] Meanwhile, the geographical disparities that were perpetuated, and indeed amplified, by Frelimo's approach to reconstruction have lent themselves as an obvious tool of political campaigning by Renamo in disadvantaged parts of the country, exemplified by a campaign slogan used as early as 1994 in Sofala: "What you produce those in Maputo eat."[29]

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[27] Sumich 2008, 119.

[28] Pereira et al. 2003, 12. Among rural respondents, 58 percent indicated that they were "very" or "fairly" satisfied with how democracy worked, whole this was only the case for 48 percent of urban respondents. These findings of course resonates with theories of political development rooted in modernization theory, which also offer an interesting starting point for a broader debate about the viability of authoritarian developmentalism – see for example Inglehart and Welzel 2005.

[29] Alden 2001, 64.

That Frelimo has been able to sustain its control over the state throughout the post-conflict period is therefore not necessarily a testimony to the overwhelming force of its hegemonic project, but also a result of an often inept approach of its principal challenger Renamo. This has notably comprised an excessive personalism centred on its long-time leader Afonso Dhlakama, as well as a misguided attempt to emulate Frelimo's clientelist tactics while drawing on an incomparably weaker resource base.[30] Despite these opposition shortcomings, the two parties were almost on par with regard to the strength of their popular support at the national level during the 1990s, and there have been credible allegations that the 1999 presidential and parliamentary elections in particular had to be decisively rigged in order to avert a Frelimo defeat.[31]

While Angola's MPLA has thus far not faced any comparable challenge at the ballot box, the relationship between ruling elites, the party, and its putative bases of popular support similarly remains complicated. On the one hand, the MPLA did manage to recast itself as a catch-all party with impressive membership records (growing from 60,000 in the early 1990s to 4 million in 2004, in the latter year accounting for about a quarter of the country's population). This development stood in sharp contrast with the party's vanguardist pretences of the post-independence years and fed into a narrative of long-standing, nationwide rootedness that is not actually supported by the historical record.[32] On the other hand, the prevalence of cynical attitudes among party members is extensively (albeit not very systematically) documented, and the dissatisfaction among groups that have typically been considered core MPLA constituencies is increasingly palpable.

In part, this is a matter of longer-standing social divisions that the party has not entirely been able to sweep under the carpet, notably in terms of enduring perceptions of

[30] Cahen 2011; Manning 1998; Vines 2013.
[31] Manning 2010; Morier-Genoud 2009.
[32] Vidal 2007a, 145. More broadly on the MPLA's effort to reinterpret its historical role, see Schubert 2015.

the MPLA leadership as an "urban, mestiço, and creole" elite that is out of touch with the needs and priorities of large swathes of the black African population.[33] In addition, though, it is also unclear to what extent the party's vigorous efforts to nurture a "national bourgeoisie" have succeeded in creating a group that considers its material privileges as tied to continuing MPLA dominance, and whether this group is large enough to sustain the party's hegemony in a setting that, after all, features multi-party elections. As Anne Pitcher has shown based on a survey among beneficiaries of the state-led housing projects described in the previous chapter, even individuals who have undeniably benefitted materially from the government's policies tend to hold critical attitudes, for instance with regard to the quality of public service delivery.[34]

Tellingly, to the extent that popular contestation of the MPLA has taken place in recent years, it has typically been driven by activists from an urban, relatively well-off background[35] – in that sense, the party's analysis of where the biggest threat to its hegemony may originate has actually proven largely correct, but its antidote of material co-optation insufficient. Although recipients may acknowledge their relatively privileged condition in the broader Angolan context, the ostentatious consumption practiced by a small segment of the elite especially in Luanda also renders the extremely unequal distribution of wealth in the country highly visible, fostering unrealistic imaginaries that can only result in disappointment. Meanwhile, large parts of the population have hardly seen any material improvement of their living conditions after 2002 whatsoever, and with the war as a justification of perpetual hardship gone, "the frustrations of being excluded from this miracle of reconstruction are felt even more acutely."[36]

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[33] Schubert 2017, 90. As Schubert shows, this is not for a lack of attempts to foster a non-ethnic conception of "Angolanidade", which however in many instances replicates the self-image of the MPLA.
[34] Pitcher 2016. See also Croese and Pitcher 2017.
[35] de Alencastro 2018, 10f.; Schubert 2017, 164. Ibid., 164.
[36] Schubert 2017, 165–166.

Despite their difficult financial situation, as well as a range of other obstacles and disadvantages arising from the blurring of the boundaries between MPLA and state institutions, opposition parties gained ground in the Angolan elections of 2012 and 2017. Importantly, this included the emergence of the electoral alliance CASA-CE as a new force that has sought to capture urban constituencies hitherto solidly associated with the MPLA. For the time being, the ruling party's position does not appear to be under acute threat – CASA-CE in particular disappointed many of its supporters with its feeble stance in the aftermath of the 2017 elections, when it failed to speak up against ostensible irregularities and ceded the role of the main opposition voice to UNITA. President Lourenço's resolute actions against the family and allies of his predecessor have also deprived the opposition parties of some obvious campaign points, highlighting the need for the latter to advance a substantive alternative programme for the country to an extent that they have thus far proven incapable of. Whether further opposition advances are to be expected in the in the 2022 elections is thus uncertain, even if the economic malaise that the country has been grappling with since 2014 persists.[37]

This latter point alludes to a final challenge to the reconstruction projects explored in this study, which despite the aspect of agency highlighted throughout the analysis of course take place within a context of structural conditions that are beyond the control of ruling elites.

While the presence of significant resource revenues is not a necessary precondition for the pursuit of "controlled expansion" (as the Mozambican experience amply illustrates), it undoubtedly facilitates the pursuit of such an agenda in many regards. As the chapter on productive sectors in particular has demonstrated, Angola's spectacular post-conflict growth record occurred *despite* the adoption of policies that deterred serious investors in

[37] Pearce, Péclard, and Soares de Oliveira 2018.

most sectors outside oil and gas, and was fundamentally predicated on high oil prices and strong global demand for petroleum.

A first downturn following the global financial crisis of 2008 exposed the dangers of this situation but led to only a limited adjustment of policies, so that the lasting fall of oil prices in 2014 hit the country's economy with full force. Drastic budget cuts (amounting to almost a quarter of the budget in 2015 for instance) subsequently brought many government-led projects especially in the area of physical infrastructure to a standstill and forced the MPLA to adopt politically inconvenient measures, such as a reduction of fuel subsidies.[38] Meanwhile, a precarious foreign exchange situation threw the broader macroeconomic environment into turmoil – not least due to the government's determination to maintain a severely overvalued Kwanza, resulting in foreign exchange rationing and the re-emergence of a vibrant black market for foreign currency. These developments killed off any residual interest among all but the most adventurous foreign investors outside the petroleum sector.

While the MPLA was quick to amplify its rhetorical commitment to economic diversification and investment-friendly policies and also exhibited a degree of self-criticism,[39] initial measures suggested little readiness to move beyond the old ways, as strikingly exemplified by the formalisation of the long-standing practice of requiring local ownership stakes in various sectors through the 2015 private investment law. Since the take-over of the Presidency by João Lourenço in September 2017, a number of more conventionally business-friendly reforms, including revisions of this law as well as an urgently needed adjustment of the official exchange rate, have taken place. Still, the country certainly has a long way to go to arrive at a more sustainable economic model that leaves

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[38] Soares de Oliveira 2015a.
[39] President Dos Santos for instance openly admitted in his address marking the end of the year 2015 that "we have been talking for a long time about diversification of the economy, but we have been doing very little, nevertheless, it is worth starting late rather than starting never." Quoted in CEIC 2016, 193.

it less exposed to the vagaries of the global oil price. In particular, its extreme level of economic inequality not only invites criticism from a normative perspective and poses a latent risk of social unrest, but also increasingly constitutes a practical economic obstacle to development, as it hinders the broadening of the domestic demand base for manufactured goods and services.[40]

If the Angolan case highlights the perils of long-standing, excessive resource dependence in an era of unstable commodity prices, Mozambique has experienced difficulties dealing with an even more paradoxical challenge, namely the discovery of resources in a setting previously widely considered resource-poor. Following a short-lived period of euphoria regarding the potential of gas and coal income to enable transformative social spending and to galvanise investment in other sectors of the economy,[41] expectations of a sudden influx of wealth have led to some of the adverse economic and political effects commonly attributed to resource wealth even before any genuine boom actually occurred.[42] In particular, prospects of greater government revenues ostensibly contributed to renewed Renamo demands for greater accommodation of its interests (especially in light of the fact that significant discoveries occurred in provinces where the opposition party was confident it would win gubernatorial elections, if those were held), ultimately resulting in a return to arms in 2012.

Partly in response to this development, key Frelimo figures decided to effectively mortgage some of the country's expected resource revenues through loans taken out from international banks by purpose-created state-owned companies – supposedly for the purpose of tuna fishing and maritime security – which they hid from the country's donors

[40] Wolf 2017.
[41] E.g. Trape, Damião, "Recursos naturais são a força motriz da industrialização - Guebuza', Sapo Notícias, 25 July 2013.
[42] Frynas, Wood, and Hinks 2017.

and the international financial institutions.[43] While some of this money seems to have disappeared through outright graft (and while corruption was in all likelihood a major driver of the entire episode), part of it also appears to have been used for an intensification of the war effort against Renamo.[44] When these loans were subsequently uncovered, the country's donors immediately suspended all budget support, imperilling public investment projects as well as ongoing public sector operations and precipitating an implosion of the country's currency.

At the time of writing, Frelimo was still struggling to extricate itself from this predicament, hindered by the inability or unwillingness of its leaders to allow a thorough investigation of the exact circumstances of the loans. The international reputation of the country and of its political leadership has suffered severely, as exemplified by a recent *Economist* article that described Frelimo as "a mafia-like party with links to criminal enterprises."[45] As José Macuane and his collaborators have argued, the impact of expected resource revenues has proven so destructive in Mozambique because it amplified factional dynamics already set in motion during the earlier reconstruction period, and thus "exacerbated internal and external conflicts and competition over power culminating under Nyusi's presidency with the Frelimo party struggling to stay united for political survival."[46]

In sum, even if leaving normative considerations from a liberal vantage point aside and assessing the economic reconstruction trajectory explored in this study solely from a domestic ruling elite perspective, it clearly entails substantial tensions and potential for unpredictable developments. That said, despite the challenges that Frelimo and the MPLA have undoubtedly encountered, for the time being they have been able to secure and deepen

[43] For overviews, see Africa Confidential, "The burden of war and debt", 18 November 2016, as well as Financial Times, "The stench from a fishy business in Mozambique", 2 July 2017.
[44] Macuane, Buur, and Monjane 2017.
[45] The Economist, "Waiting for gas", 27 October 2018.
[46] Macuane, Buur, and Monjane 2017, 24.

their hold on power in a fashion that would have been unlikely under the conditions of a genuinely competitive market economy. The latter would have undermined the link between business success and closeness to the ruling party and likely have yielded a more assertive, politically autonomous business class, which could conceivably even have evolved into a source of opposition support. Conversely, the kind of hegemony that the two ruling parties have enjoyed would also have been difficult to accomplish through outright coercion or different forms of political manipulation in the absence of enhanced economic co-optation.[47] Shortcomings and tensions notwithstanding, the politically controlled mode of recovery that they have pursued should therefore be expected to also exert considerable appeal to post-conflict ruling elites facing comparable configurations of incentives and constraints elsewhere.

"Controlled expansion" in other post-conflict environments

As highlighted in Chapter One, the fact that a cohesive elite coalition emerged from violent conflict in control of the state in Mozambique and Angola does not make these two cases aberrations – to the contrary, important instances of this type of conflict outcome can be identified across the globe. As cohesion and the extent of control over state institutions are best assessed in gradual rather than categorical terms, these instances do not form a sharply distinct sub-category of reconstruction experiences, yet an array of cases in which post-conflict elites uncontroversially score highly on these dimensions readily come to mind.

On the African continent, besides the two cases explored in detail here, two of the most salient examples are Rwanda after the Rwandan Patriotic Front's (RPF) victory over

[47] This is not to suggest that coercion and political manipulation had not taken place – especially the latter is salient in both countries with regard to myriad issues, not least including fundamental institutional decisions such as a strong focus on territorial coverage through "deconcentration" (i.e., the posting of centrally appointed officials) at the expense of meaningful electoral decentralisation. See also the concluding chapter on the importance of avoiding an overly "economistic" understanding of the dynamics behind regime survival and consolidation.

the genocidal previous regime in 1994,[48] and Ethiopia following the Ethiopian People's Revolutionary Democratic Front's (EPRDF) ousting of the Derg in 1991.[49] Further relevant settings include Eritrea, ruled by Isaias Afwerki's Eritrean People's Liberation Front (EPLF) ever since its secession from Ethiopia,[50] and, more recently, arguably also Côte d'Ivoire following its extended low-level conflict ultimately resulting in a military coup against President Laurent Gbagbo (even though the coalition supporting his successor Alassane Outtara was unquestionably at the weaker and institutionally less mature end of the spectrum).[51] In Asia, Sri Lanka in the aftermath of an uncompromising campaign against the Liberation Tigers of Tamil Eelam (LTTE) culminating in 2009 is one the clearest examples of reconstruction after an unambiguous military victory in recent years, even though the ruling coalition's hold on power did in this instance not prove durable. In a similar vein, the re-entrenchment of Hun Sen's Cambodian People's Party (CPP) following an internationally-brokered peace agreement and an unprecedented UN transitional administration was testimony to the staying power of some political organisations amid seemingly most unfavourable conditions.[52]

While a detailed evaluation of the correspondence of each of these cases to the ideal-typical economic reconstruction trajectory identified here is beyond the scope of this study, an initial assessment for some of the mentioned experiences on the basis of the existing case literature is instructive, not least with a view to identifying relevant foci for further inquiry. The focus in this section is placed on the cases of Rwanda, Ethiopia, Eritrea, and Sri Lanka, for each of which there is a particular rationale in terms of bolstering and,

[48] Jones 2012; Reyntjens 2015.
[49] Vaughan and Gebremichael 2011; Weis 2016; Fantini and Puddu 2016.
[50] The secessionist dynamic of this conflict of course makes this in some regards a special case, as it left the EPLF leadership in a different position than ruling coalitions that have prevailed in the first instance over a domestic opponent.
[51] Piccolino 2018.
[52] Hughes 2003; Heder 2005; Ear 2007.

to the extent necessary, caveating the argument of this study. As such, the former two cases are of particular interest because they feature ruling coalitions that rose to a dominant position after defeating an incumbent government through a rebellion, thus addressing a dimension of variation in contextual conditions that could not be covered with the Mozambican and Angolan cases. The Eritrean experience is relevant because it, at face value, appears to constitute a deviant case – the country's post-independence ruling coalition was clearly cohesive and dominant, but its approach to economic reconstruction has not usually been portrayed as particularly expansionary. Finally, the Sri Lankan case allows for an initial assessment of the extent to which the observed dynamics also resonate in relevant post-conflict settings beyond the African continent.

For Rwanda and Ethiopia, the comparative assessment is aided by the existence of a number of excellent recent contributions on political economy questions, which also reflect a growing interest in both countries as supposed exemplars of "developmental states" in Africa. As such, the economically expansionary aspect of the approach identified in this study is readily apparent in these cases: Both countries have witnessed extended periods of double-digit growth, underpinned in particular by ambitious state-led investments into energy and transport infrastructure as well as by active industrial policy interventions.[53]

Although the governments of both countries have cultivated an elaborate discourse that alleges their receptiveness to key elements of international "best practice" (without prejudice to their independence),[54] observers have emphasised the domestic political motivations driving these efforts: For Rwanda, Laura Mann and Marie Berry have for instance discussed the government's strong focus on improved public service provision in

[53] Oqubay 2016; Crisafulli and Redmond 2014.
[54] Zorbas 2011; Borchgrevink 2008.

terms of the allocation of "side payments" that are "intended to make everyone feel like they have a stake in the developmental vision."[55] At face value, this fundamentally fits this study's argument regarding the incentive facing ruling elites to pursue economic growth as a means to strengthen their hold on power through a broadening of their political support.

At the same time, contributions on Rwanda and Ethiopia also tend to place particular emphasis on an aspect that has received slightly less attention in the analysis developed in this study, namely the advancement of infrastructural state power through economic development.[56] As such, Mann and Berry argue that "through the construction of a common coordinative system of control and communication (conceived of as 'markets'), the [Rwandan government] aims to create an infrastructure of power that is decentralised and embedded into everyday life."[57] In a similar vein, Emanuele Fantini and Luca Puddu suggest that the "exceptional measures" often involved in large-scale infrastructure or agricultural projects in Ethiopia play into "strategies of territorializing state power and disciplining unruly populations in the periphery."[58]

While this general dynamic is certainly not alien especially to the Angolan experience,[59] in the Rwandan and Ethiopian cases it is more credibly geared towards a genuine extension of state reach also in terms of public service delivery and towards the economic mobilisation of broad swathes of the population. Important geographical and socio-economic disparities undoubtedly exist in both countries,[60] but the constituency of reconstruction beneficiaries nevertheless appears to be significantly less narrowly

[55] Mann and Berry 2016, 134.
[56] Mann 1984.
[57] Mann and Berry 2016, 120. This argument is also echoed by Purdekova 2012, who focuses on the RPF's efforts to promote a particular "developmental" (and in many regards apolitical) mind-set among the country's citizens. More generally on this theme, see also Ferguson 1994.
[58] Fantini and Puddu 2016, 100.
[59] Soares de Oliveira 2013.
[60] See for example Goodfellow and Smith 2013 on the particular focus on the capital Kigali in the Rwandan case, and Chanie 2007 on regional disparities in Ethiopia. See also Gebregziabher and Hout 2018 for an interpretation of the Ethiopian trajectory that stresses the emergence of oligarchic structures.

circumscribed than in Angola or Mozambique. As Toni Weis has put it with regard to the Ethiopian case, "the ruling party does not consider itself the representative of a particular segment of society, but as the organisation tasked with the mobilisation of society at large around a transformative political agenda. This requires, on the one hand, the marginalisation of political opponents and the closure of alternative channels of state-society relations; at the same time, however, it also demands the expansion and deepening of the party's presence at all levels of society."[61]

A second significant area in which Rwanda and Ethiopia diverge from the dynamics identified in this study is with regard to the characteristics of the most important domestic firms in the economy. While a key feature of the Mozambican and Angolan cases is the rise of a group of oligarchs that are politically connected, but ultimately act in a private capacity, the Rwandan and Ethiopian experiences have been marked by stronger direct involvement of the ruling party and the military as formal participants in the economy. As such, the Rwandan economy is dominated by several large "investment groups," the most prominent of which are Crystal Ventures Limited and the Horizon Group. The former, previously named Tri-Star until 2009, evolved directly out of the RPF's wartime "production unit," while the latter was founded by the Rwandan Armed Forces with government encouragement in 2007.[62] The Ethiopian case echoes this pattern in terms of the dominant role of four regional "endowment companies," the largest of which is the Endowment Fund for the Rehabilitation of Tigray (EFFORT). As of 2011, these latter companies employed approximately 50,000 people and were valued at more than US$ 500 million, while invariably being led by senior EPRDF figures.[63] As noted in previous chapters, Frelimo and the MPLA have also created holding companies (SPI Gestão e

[61] Weis 2016, 18.
[62] Behuria 2016.
[63] Vaughan and Gebremichael 2011; Weis 2014, 274ff.

Investimentos and GEFI, respectively), but these firms do not nearly play as significant a role as their counterparts in Rwanda and Ethiopia.

Much of the debate regarding these military and party-owned companies has centred on the question of their developmental promise: Some observers acknowledge their politicised character but argue that they also make important, high-risk investments in the national interest, while others portray them as classical rent-seekers.[64] Importantly, most contributions however concur in observing that their management is subject to stringent political discipline, and that they have not been vehicles for the personal enrichment of individuals. While there is still a credible argument that one of these companies' purposes is to sustain the loyalty of important actors by giving them positions of (conditional) power and responsibility,[65] the extent to which they permit co-optation trough substantial material incentives is therefore limited.

Although Rwanda and Ethiopia have both been described as prominent cases of "developmental patrimonialism,"[66] more recent contributions have accordingly recognised that especially the second part of this term amounts to a mischaracterisation of these cases, not least because leaders have indeed displayed an explicit and largely credible aversion to the pecuniary management of elite competition.[67] As such, significant reliance is placed on actors' ideological commitment to the political project set out by their parties, and attempts of establishing alternative centres of power have in important instances been met with outright coercion rather than co-optation (the violent deaths of several Rwandan regime defectors under suspicious circumstances have gained particular notoriety in this regard).[68]

64 Behuria 2016; Booth and Golooba-Mutebi 2012; Kelsall 2013; Abegaz 2013; Gökgür 2012.
65 Behuria 2016.
66 Kelsall 2013.
67 Booth and Golooba-Mutebi 2014; Golooba-Mutebi 2013; Weis 2016, 66ff.
68 Jones 2012.

These observations indicate scope for further differentiation within the set of reconstruction experiences featuring dominant and cohesive ruling elite coalitions. A particular hypothesis suggested by the Rwandan and Ethiopian cases is that there is something particular about cases in which such a coalition arises out of a successful rebellion, and in which cohesion is therefore associated with a military-style discipline of a somewhat different quality than the kind of political discipline encountered even in highly cohesive and institutionalised parties.[69] In the two cases briefly discussed here, elite-society relations were also shaped by the fact that the respective new ruling coalition comprised genuine outsiders that had spent considerable time in exile or in secluded and remote parts of the country immediately prior to their rise to power, implying the almost complete absence of a pre-existing popular base and favouring the more inclusive approach in the allocation of benefits noted above.

That said, these considerations should also not distract from the fundamental similarities in the reconstruction trajectories of Rwanda, Ethiopia, Mozambique, and Angola. Even if the precise allocation of the benefits of economic growth and the specific modes in which political control was exercised differed to some extent, an overarching thrust of a politically controlled post-conflict economic expansion and elite-directed reconfiguration of the political economy is highly salient in all of these cases. This fundamental resemblance is all the more apparent when these cases are considered in the context of prevailing lenses in the study of post-conflict economic recovery, which tend to presume convergence to the precepts of externally-assisted liberal reform and to factor in

[69] A slightly different application of this basic idea is reflected in Mani 2007, which explains variation in the character of military-owned enterprises as a function of the nature of military organization (as well as of levels of state capacity). Weis 2014 also explains variation in the relations between dominant parties and the private sector as a function of degrees of party institutionalization and of differences in the prior strength of the private sector – however, as the cases considered in this section would all fall into the same cell of the resulting 2x2 matrix, the discussion here would suggest further differentiation of this analysis.

domestic elites either as short term-oriented “spoilers” or as proponents of an approach that is more attuned to local, “traditional” sensibilities.

The Eritrean case, as noted, ostensibly poses a challenge to the argument advanced in this study. Isaias Afwerki’s PFDJ (as direct successor of the wartime EPLF) would appear to score highly in terms of cohesiveness and dominance, yet the few studies that exist on its approach to economic governance have portrayed the latter as highly controlled, but not as particularly expansionary.

Similarly to the RPF and EPRDF, Eritrea’s ruling party following independence set up a number of enterprises that were subsequently consolidated under the roof of the Hidri Trust, managed by the party’s economic affairs department.[70] The declared motivations of these steps appear broadly consistent with the argument advanced here: As Martin Plaut notes, “the initial aim was to hold down the costs of basic commodities and to channel profits into a fund to assist crippled veterans of the war and their families.”[71]

In practice, however, it is questionable whether revenues were indeed substantially used in this fashion – whatever exceedingly scarce information is available about these companies rather suggests that much of their foreign currency income ends up in offshore accounts and is used for government purchases abroad, notably including arms. In a similar vein, the UN Monitoring Group on the country reported to have “received consistent information from several former government officials and independent sources with direct knowledge of Eritrean finances that the Government of Eritrea continues to maintain a PFDJ-controlled informal economy involving hard currency transactions through a non-transparent network of business entities incorporated in several jurisdictions.”[72]

[70] Kibreab 2009.
[71] Plaut 2016, 145.
[72] UN Monitoring Group 2015, 22.

While Eritrea's party-owned firms appear to have been fairly successful – a 2016 estimate of their collective value amounted to about US$ 500 million[73] – serious private economic activity in the country has remained all but impossible. Eritrea's business environment is assessed to be one of the least conducive in the world, ranking 184th out of 189 in the World Bank's 2016 Doing Business Report. In an emblematic move in 2005, "the Government suspended all private enterprises from conducting construction in the country and effectively awarded all public contracts to businesses controlled by PFDJ."[74] Agriculture in particular suffers from exceptionally low productivity, yielding an estimated GDP contribution of less than 15 percent, partly due to labour shortages caused by the country's extensive military conscription regime.[75] Foreign investment remains restricted, although there is a crucial exception in the form of the recently growing mining sector, which may end up transforming the country's political economy in important ways.[76]

On the whole, while representations of the country as an "African North Korea" risk digressing into undifferentiated hyperbole,[77] the Eritrean case ultimately suggests that high levels of ruling elite cohesion and dominance do not mechanically translate into an economic reconstruction trajectory of the kind examined in this study. In particular, leaders may still opt for a path towards stabilisation and regime consolidation that relies to a much greater extent on outright repression rather than on the nurturing of political support through economic means. As Alex de Waal has put it, Afwerki's strategy was to adopt "a model of tightly controlled political business, extracting political finance from illicit

[73] Plaut 2016, 145.
[74] UN Monitoring Group 2015, 23.
[75] Plaut 2016, 137f. See also Kibreab 2017.
[76] De Waal 2015, 151ff. argues that the rise of this sector marks the end of "an extreme and fascinating experiment in the separation of money from political business," and that Eritrea was moving closer towards a conventional rentier economy.
[77] Müller 2016.

activities (mostly transnational) and using that money for the army. There was virtually no money for anything else at all, including patronage."[78]

In this particular instance, the apparent explanation of this idiosyncratic choice is Eritrea's exposure to an international environment that is perceived as profoundly hostile and seemingly demands an isolationist course in the eyes of the country's powerholders, especially after a disastrously ill-fated war against its Ethiopian neighbour between 1998 and 2000.[79] In this context, it should also not be forgotten that some of the steps adopted prior to this juncture did suggest a more economically expansionary intent, with Eritrean leaders at the time professing to aspire towards a modern state in the image of Sweden or Singapore.[80] This latter qualification notwithstanding, the case more generally cautions against attempts to account for complex social phenomena in overly deterministic terms – in any analysis that takes political agency seriously, such an aspiration is indeed inherently questionable.

The Sri Lankan case, finally, demonstrates that the elite-led reconstruction trajectory examined in this study is not a uniquely African phenomenon. As country specialists have emphasised, economic and political developments in this case were deeply intertwined throughout different phases of the long conflict between Sinhala-dominated governments and Tamil rebels (which lasted from 1983 to 2009), as well as in its aftermath following a violent campaign and comprehensive victory of the national military.

During the 1980s and 90s, economic motives were an important driver (although surely not the only one) of conflict in Sri Lanka.[81] Moreover, war in the North of the country

[78] De Waal 2015, 146.
[79] This rationalisation in itself raises interesting questions with regard to prominent arguments about "systemic vulnerability" as a potential driver of state-led developmentalism, see Doner, Ritchie, and Slater 2005.
[80] De Waal 2015, 143; Tronvoll 1998. As Riggan 2016 highlights, yearnings for a "good state" continue to resonate among many Eritreans.
[81] Korf 2005.

and market-oriented economic reform in the South arguably stood in a symbiotic relationship with each other, to the extent that military spending was instrumental in alleviating the adverse social consequences of reform.[82] Fittingly in this context, the attempted peace process of the early 2000s was framed around the theme of "peace through development," reflecting legitimacy concerns of the government at the time, the humanitarian crisis facing the LTTE rebels, and not least international actors' belief that economic instruments and incentives could decisively alter the dynamics of the conflict.[83] This approach however came to an end with the ascendancy of Mahinda Rajapaksa, who won the 2005 Presidential elections as the candidate of the United People's Freedom Alliance (UPFA), with a Sinhala nationalist platform and a commitment to ending conflict through military victory. Once in power, Rajapaksa sought to harness economic recovery in support of the government's counter-insurgency effort and the construction of a robust edifice of political control.[84]

Towards this end, once Rajapaksa's government had fundamentally established control over the Eastern part of the country through military means, it initiated an ambitious "Eastern Re-awakening" programme. Comprising an array of major infrastructure investments and state-led projects to invigorate economic activity, the programme came at a cost of US$ 1.8 billion over four years, and was subsequently replicated in the North of the country. Conceptually, these initiatives were aligned with an explicitly articulated long-term vision that stressed state-led agricultural development, and which amounted to a clear departure from the earlier, donor-assisted approach to economic reform.[85]

While the programme's geographical focus reflected the specificities of the Sri Lankan case, the overarching logic of accomplishing support among key constituencies

[82] Venugopal 2011.
[83] Sriskandarajah 2003; Stokke 2011; Bastian 2007; Goodhand and Walton 2009.
[84] DeVotta 2011.
[85] Goodhand 2010, 342, 346.

through material means resonates with the findings of this study. The same applies to the reported prevalence of politically well-connected, Colombo-based businesses in capturing the major resulting business opportunities, often in conjunction with international investors.[86] Concluding that "the [Sri Lankan] government is seeking to enforce a 'victor's peace', an exercise in stabilisation and power-building rather than peace-building," Jonathan Goodhand astutely notes that the securitisation of economic development in this fashion is "an old game and that domestic players usually play it far more effectively than do international actors."[87]

Ultimately, Sri Lanka constitutes the one apparent case available at the time of writing in which an attempt of post-war "controlled expansion" manifestly did not succeed from a ruling elite perspective. Partly because the war had always pitted the government against a specific rebel group rather than engulfing all relevant political forces in the country as military adversaries, Rajapaksa and his allies did not manage to firmly entrench UPFA as the only plausible avenue towards power and wealth. A key minister was therefore able to defect from the government prior to the 2015 presidential elections, and to eventually defeat the increasingly autocratic incumbent with the support of a coalition of opposition parties. While the case hence shows the vulnerability of this approach in settings where substantial elite factions remain excluded from the ruling coalition, it nevertheless substantially supports the core proposition of this study, and reinforces the general argument for a more careful and systematic scholarly engagement with instances of elite-led, illiberal economic reconstruction across the globe.

In sum, the claim for the generalisability of characteristic dynamics in the economic reconstruction trajectories of Mozambique and Angola to a broader group of cases of post-

[86] ICG 2009.
[87] Goodhand 2010, 351, 359.

conflict recovery led by cohesive ruling elite coalitions is bolstered not just by the logic of case selection in this study (which ensured significant variation on a number of important contextual dimensions), but also by an initial examination of other relevant cases on the basis of the existing country literature. Although the Rwandan and Ethiopian experiences exhibit some specificities that point towards possibilities of further typological differentiation, the general theme of "controlled expansion" and key dynamics in the relations of power and influence between political and economic actors clearly resonate in these cases. The Sri Lankan case further affirms the global relevance of these phenomena. Eritrea, meanwhile, is in important regards a deviant case that cautions against an overly deterministic interpretation of the argument advanced here, but that ultimately questions the wisdom of the aspiration to explain complex social phenomena in terms of far-reaching "covering laws" more than exposing any specific weakness of this study's argument.

Conclusion

The purpose of this chapter was to synthesise this study's empirical findings and the theoretical considerations discussed at the outset into an overarching argument regarding the distinctive and characteristic economic reconstruction trajectory encountered in post-conflict settings where a cohesive ruling elite coalition has emerged from conflict in control of the state. Moreover, the chapter has engaged with the coherence and sustainability of the reconstruction approach adopted by ruling elites in Mozambique and Angola, and corroborated the generalisability of this study's findings to the broader family of pertinent cases.

The chapter has placed particular emphasis on the overarching political economy dynamics generated by the developments across systemically important domains of economic reconstruction discussed in the previous chapters, stressing ruling elites' ability to reconcile the potentially countervailing priorities of economic expansion and political control in a fashion geared towards the longer-term consolidation of their hold on power.

Whether these efforts are necessarily and uniformly successful is a different matter. For the time being, Frelimo and the MPLA have both managed to sustain themselves in power, ensuring the maintenance of both strong material incentives for continuing allegiance and of obstacles to the mobilisation of resources for alternative political projects. Yet, the political economies of Mozambique and Angola also exhibit significant tensions and remain vulnerable to changes in exogenous conditions.

These latter limitations notwithstanding, cohesive ruling elite coalitions that have acquired a dominant position at the end of conflict elsewhere have tended to adopt approaches to economic reconstruction that substantially correspond to a similar political economy logic, as illustrated by the cases of Rwanda, Ethiopia, and, with certain caveats, Sri Lanka. While an in-depth understanding of the dynamics prevailing in any given case certainly requires a careful appreciation of contextual specificities, a focus on the distinctive incentives and constraints facing this kind of post-war ruling coalition and on the fundamental logic of "controlled expansion" thus goes a long way in making sense of the hitherto woefully under-explored phenomenon of elite-led reconstruction.

Conclusion

The fundamental objective of this study has been to deepen our understanding of intriguing political economy dynamics in post-conflict settings marked by the emergence or assertion of a cohesive ruling elite coalition, a recurrent but under-appreciated conflict outcome.

On the basis of a dialogue between theoretical considerations and empirical findings from a detailed analysis of key domains of economic reconstruction in post-conflict Mozambique and Angola, the study has advanced a core proposition: Namely, that these environments exhibit a distinctive and characteristic economic reconstruction trajectory, which is rooted in the specific configuration of political incentives and constraints facing ruling elites and fundamentally entails a process of "controlled expansion." Seizing a window of opportunity arising from the availability of institutionalised mechanisms for the management of internal competition, the absence of immediate political challengers, and the heightened institutional malleability marking post-war settings, ruling elites look beyond the short-term appropriation of resources and seek to consolidate their hold on power for an extended time horizon. Towards this end, they seek to foster economic expansion and to grow the volume of resources available for distribution in order to strengthen their bases of political support. At the same time, they eschew an uncontrolled diffusion of economic power and indeed actively seek to engineer the formation of a new, politically docile business class.

The specific manifestations of this process have been detailed in four empirical chapters on infrastructure rehabilitation, financial sector governance, measures to invigorate productive sectors, and state-led redistribution through fiscal and budgetary policy. The chapter immediately preceding this conclusion has also spelled out its overarching internal logic, interrogated its coherence and sustainability in practice, and discussed its generalisability within the relevant family of cases. This conclusion therefore does not reiterate these points in unnecessary detail. Rather, it focuses on the wider implications of this study's findings with regard to the study of post-conflict (economic) reconstruction, to related research agendas, and to the engagement with empowered post-conflict elites in practice.

From a scholarly perspective, it emphasises in particular the need for a careful comparative analysis of diverse political economies of reconstruction that goes beyond the recognition of frequent deviations from the liberal model, as well as the relevance of the argument advanced here in making sense of a broader, global trend towards novel forms of illiberal "state capitalism." In practical terms, it stresses the importance of addressing the normative dilemmas arising from elite-led reconstruction head-on, avoiding assumptions about the indispensability of foreign involvement as much as unduly sanguine interpretations of the intentions of empowered domestic actors.

Controlled expansion and the study of post-conflict economic reconstruction

As discussed in detail in Chapter One, the role of domestic elites at the national level has received limited attention in the existing scholarship on post-conflict reconstruction. To the extent that such elites have been recognised as consequential actors, analyses have tended to focus on their impact on the implementation of externally driven initiatives, but not on their efforts to advance coherent alternative agendas. Scholars advocating a "local turn" in the study of peacebuilding, meanwhile, have largely jumped directly to the level of the "local-local", with an emphasis on microsocial dynamics and alternative conceptions of politico-economic order that are sometimes portrayed in explicit juxtaposition to the modern nation-state and to capitalist development.

One obvious implication of this study's findings is that these perspectives require reconsideration. As such, the study has shown that there is an identifiable set of post-conflict settings featuring consequential domestic actors with national-level political agendas. Moreover, these are agendas to which the supposedly externally-imposed ideas of modern statehood and capitalist development are absolutely central, even if typically stripped of the liberal aspect that has been at the heart of the reconstruction model advanced by Western donors and international organisations in the post-Cold War era.

The identification of such domestic agendas of building a form of robust, centralised political-economic order for the longer term implies a significant shift of perspective with regard to the study of the state in the developing world (and especially sub-Saharan Africa) writ large – while many influential contributions have recognised the extent to which leaders have instrumentally embraced aspects of modern statehood that they found to be empowering (notably the aspect of external, de jure, sovereignty), they have also emphasised the widespread erosion of the state in practice.[1] In the context of post-civil war environments, often taken to represent extreme instances of state decay or breakdown of social order, this shift stands out particularly starkly.

The final section of the last chapter has sought to empirically corroborate the claim that post-conflict settings featuring cohesive ruling elite coalitions indeed systematically exhibit the key dynamics identified in Mozambique and Angola, although cautioning against an overly deterministic representation of this relationship. In light of the above considerations, it is, conversely, worth pausing to consider whether the scope of this study's argument may have been specified in an unnecessarily restrictive fashion – that is, whether the dynamics ascribed here specifically to a relatively narrow group of cases may indeed apply to a broader range of settings. As already discussed briefly in the introduction, what

[1] Badie 1992; Herbst 2014; Clapham 1985; Jackson and Rosberg 1982.

is important in this regard is to differentiate between partial resemblances and genuinely close correspondence to the ideal-typical reconstruction trajectory identified in this study – while the latter should constitute rare exceptions among cases falling outside the specified group of relevant cases, the former are likely to be encountered much more frequently, especially where the conditions highlighted here are partially fulfilled.

In that sense, while emphasising the distinctiveness of post-conflict settings featuring cohesive and dominant ruling coalitions, this study at the same time also concurs with a more common call for greater attention to the role of domestic elites with national-level ambitions in post-war environments more generally. While actors in more fragmented environments will typically find it difficult to embark upon the kind of hegemonic project that was pursued by the leaders of Frelimo or the MPLA, they may still be able to deliberately manipulate the political economy and to accomplish remarkable degrees of tenure prolongation under seemingly precarious and even chaotic conditions, as perhaps most strikingly exemplified by Joseph Kabila and his allies in the Democratic Republic of the Congo.[2] This issue is of course particularly relevant for the policy-oriented scholarship that seeks to inform the interventions of practitioners, but it also merits greater attention in analyses of contemporary processes of state-building and the formation of political order more generally.

From a conceptual and methodological vantage point, this study reinforces the case for a political economy perspective on reconstruction processes. In this respect, the situation is not quite as dire any more as in 2011, when Mats Berdal and Dominik Zaum could justifiably claim that "one of the key questions about statebuilding practices, namely what their impact is on the political economy of conflict-affected countries, had remained

[2] Englebert and Tull 2008.

woefully underexplored in the existing statebuilding literature."[3] Still, problematic or limiting conceptions about the relationship between economic development and political order persist in many quarters – conflict and disorder may (often correctly) be recognised as impediments to development, or poverty and inequality as drivers of conflict, but analyses that genuinely engage with the complex interplay of economic and political processes, and that countenance a variety of compatible configurations in the "structural relations of accumulation and domination" in post-conflict settings still remain too rare.

While this study has focused on reconstruction processes marked by a considerable degree of centralised control, Christine Cheng's work on Liberia for instance draws attention to a very different but similarly under-researched trajectory that becomes apparent through an analysis of the relations of power and influence between relevant political and economic actors. As such, Cheng shows how the profit-oriented activities of more localised extra-legal groups have been accompanied by the provision of basic governance functions, generating a form of political order in its own right and potentially also prompting the strengthening of centralised state power.[4] This important phenomenon had previously long been occluded by established lenses that dismissed such groups as "spoilers" and conceived of "greed" as a uniformly destructive force in fragile settings. Insights like this provide a clear starting point for a more systematic comparative analysis of the diversity of reconstruction trajectories that different post-war environments have experienced (beyond a simple recognition of their frequent deviation from liberal prescriptions), and of the specific conditions in which these respective trajectories are rooted.

The point here is not to push for a narrowly "economistic" conception of social order, in which everything is explained in terms of material transactions at the expense of

[3] Berdal and Zaum 2012, xxi. As noted in the introduction, the authors understand statebuilding practices to necessarily refer to the activities of external actors, but the broader point about the lack of attention to political economy dynamics stands a fortiori.
[4] Cheng 2018.

ideational factors or outright coercive power.[5] As noted in the last chapter, the longevity of Frelimo's and the MPLA's hold on power is certainly not solely attributable to their strategies in the economic realm, and the same will apply to any other case. But a thorough understanding of political economy dynamics is nevertheless critical, not just because patterns of economic activity and accumulation are in themselves an important determinant of coercive power, but also due to their very direct implications for the welfare of a large number of people.

As discussed in greater detail in the final section of this conclusion, the normative desirability of different reconstruction trajectories clearly merits careful and critical debate, and the primacy of domestic actors is in itself *not* a compelling argument in this regard. But in order for such debates to proceed on a firm empirical basis, a better understanding of the actual dynamics unfolding in different contexts, and of the circumstances under which particular patterns become more or less likely, is urgently needed.

"Controlled expansion" and the global rise of illiberal capitalism

In addition to addressing an important gap in the scholarship on post-conflict economic reconstruction, this study also speaks to a broader trend that has increasingly manifested itself in recent years across the globe: The rise of an economic model that is ostensibly capitalist and based on the operation of markets, but at the same time profoundly politicised, often through novel modes of state involvement in the economy. Ian Bremmer has referred to this process as the emergence of "twenty-first century state capitalism," defining the latter as "a system in which the state plays the role of the leading economic actor and uses markets primarily for political gain."[6] Bremmer identifies China and Russia

[5] See also Levitsky and Way 2012.
[6] Bremmer 2010, 33.

as the principal exponents of this model, along with the Gulf monarchies and resource-rich authoritarian states such as Venezuela or Iran.[7]

Beyond the practical challenges that the rise of illiberal capitalism poses for policymakers and economic actors alike, it also casts doubt on longstanding liberal ideas regarding the mutually supportive relationship between a capitalist economy and a democratic system of government. Bremmer convincingly argues that "state capitalism helps authoritarian states resist demand for political reform by allowing their leaders to micromanage political and economic risks to their monopoly hold on power," in sharp contrast to the assumption that the maintenance of a functioning market-based economy tends to require a high degree of functional differentiation between the political and economic realm.[8] However, why and how specific manifestations of this model of economic governance emerge in particular places and at particular times remains poorly understood. A more systematic and differentiated inquiry into the origins and dynamics of this phenomenon is overdue. Even though the conditions encountered in post-conflict settings featuring cohesive and dominant ruling elites are in important regards specific, some of the central insights of this study (for instance, regarding the importance of the configuration of the ruling elite coalition and of periods of heightened institutional malleability) are of clear interest to such a research agenda.

One aspect highlighted at various points throughout this study that is also particularly relevant in this context concerns the impact of the availability of foreign capital and expertise on state-business relations in countries without a strong, historically grown domestic group of capitalists. This point is reminiscent of important older contributions engaging with the characteristics of "comprador capitalism" and the "triple alliance"

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[7] Ibid., 52. See also Schlumberger 2008; Gray 2011 on "patrimonial capitalism" and "late rentierism" in the Gulf states respectively. Musacchio and Lazzarini 2014 draw attention to novel modes of state involvement in the economy in the more democratic context of Brazil.

[8] Bremmer 2010, 179. See Pei 2016 for a more skeptical assessment of the durability of the Chinese model.

sometimes formed by political powerholders in developing countries, foreign investors, and select local capitalists,[9] while some excellent recent work has also shown how foreign contractors and service providers in various sectors have increasingly acquired a role as "authoritarian enablers."[10]

Still, the scholarship on the domestic political economy of foreign business involvement in developing countries in many regards remains in its infancy. Surprisingly little has for instance been written even about basic issues such as the actual and expected consequences of foreign direct investment on domestic distributional dynamics (in the tradition of classical contributions on the domestic politics of international trade).[11] With regard to scholarship using the political settlements approach leveraged as part of the theoretical considerations in this study, Sam Hickey has rightly noted that most existing analyses "tend to underplay the role of transnational factors in shaping political settlements."[12] A handful of contributions that engage with the impact of foreign business involvement on explicitly political questions notwithstanding,[13] a lot of work remains to be done to genuinely discern the full significance of growing global mobility of capital and services for crucial political economy questions, notably regarding the extent and the conditions under which capitalist development is likely to remain a catalyst for greater political pluralism in the present global context.

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[9] O'Donnell 1979; Evans 1979; Oneal 1994.
[10] Cooley and Heathershaw 2017; Judah and Sibley 2018. For a more journalistic account addressing this theme, see also Bullough 2018.
[11] Work on the political economy of foreign investment tends to focus on the interplay of governments with foreign actors and global financial flows, see for example Biersteker 1987; Mosley 2003; Ramamurti 2001; Wint 2011. Pinto 2013 is an exception in addressing the domestic political drivers of governments' preferences, drawing on a parsimonious model of factor-based constituencies in a democratic environment to advance the perhaps surprising argument that FDI inflows tend to be sought most vigorously by leftist governments with a "pro-labour" orientation.
[12] Hickey 2013, 19. A rare exception is Mohan and Asante 2015.
[13] Desbordes and Vauday 2007 engage with this theme in general terms. More specifically, Jensen et al. 2012 argue that FDI is conducive to market-oriented economic reform, while Malesky 2008 draws attention to the impact of investment projects on the power relations between national and subnational elites. An area of controversy is the impact of foreign business involvement on corruption, see for example Habib and Zurawicki 2002; Pugh 2013; Le Billon 2008.

Practical and normative considerations

The principal purpose of this study has been to understand and not to judge – not least because commitments to a particular vision of post-conflict reconstruction plausibly account in part for why the dynamics that it highlights have so frequently been overlooked. A full normative appraisal of the reconstruction trajectory that it has identified is beyond the scope of this concluding section, and would surely be in more competent hands with a political theorist. Nevertheless, it is worth highlighting a number of key points that should feature prominently in such an appraisal, and that also have a clear bearing on recurrent policy debates about international intervention and post-conflict assistance.

On the one hand, the study's findings suggest a clear qualification to Roland Paris's claim that "the failure of the existing peacebuilding project would be tantamount to abandoning tens of millions of people to lawlessness, predation, disease and fear."[14] For all the shortcomings of the trajectory discussed here (as examined further below), this is not an accurate portrayal of what happened in Angola and Mozambique. In the latter case, one may certainly argue that an even larger share of the population would have endured prolonged hardship had there not been substantial international financial assistance. Yet, neither the design and implementation of policy in many areas, nor basic political economy dynamics would likely have looked fundamentally different without donors' attempts to apply far-reaching conditionalities and to invest considerable resources into the promotion of "good governance." As argued, in settings where a cohesive elite coalition emerges from conflict in a dominant position, domestic political incentives on their own make it likely for leaders to undertake a concerted effort towards the stabilisation of the situation and the improvement of conditions for at least a segment of the population, but external pressures

[14] Paris 2010, 338.

for more far-reaching liberalisation will typically meet effective resistance as soon as they infringe upon vital political interests.[15]

Justifications of external intervention and statebuilding efforts that focus primarily on alleged security threats emanating from post-war "ungoverned spaces" thus enjoy limited credence in these cases. Indeed, from the vantage point of this study, there is a particular irony in the fact that Mozambique has sometimes been portrayed as one of the more successful cases of liberal peacebuilding, reflecting a rather profound misunderstanding of the fundamental dynamics at play and inadvertently corroborating the essential acceptability of the trajectory described here to many external observers.[16]

Building upon this latter point, there is also a more general consequentialist argument in support of elite-led reconstruction, echoing the Huntingtonian view that the greatest difference between countries concerns their degree rather than their type of government, and that the creation of a centralised, robust political order must be seen as a historical precondition for subsequent liberalisation and inclusive development.[17] Critics have rightly highlighted the potential pitfalls of sequenced approaches to reconstruction and reform, as well as the frequent durability of supposedly transitional arrangements,[18] raising an important empirical challenge to this line of argument. Nevertheless, a salutary aspect of this perspective is that it is at least transparent about the short-to-medium term trade-offs involved, and that it does not unduly exaggerate the immediate progressive potential of the approaches to reconstruction adopted by the likes of Frelimo and the MPLA. As this study has emphasised throughout, economic expansion and a limited widening of the circle of beneficiaries were embraced by these actors to the extent that they

[15] On the latter point, see also Whitfield 2009; Mwenda and Tangri 2005; Brown 2011; Brown 2013.
[16] Weinstein 2002.
[17] Huntington 1968. A milder version of this view is also implied by the "institutionalization before liberalization" approach suggested by Paris 2004.
[18] See especially Carothers 2007; Carothers 2002.

supported their political projects of regime consolidation, but the fundamental character of these projects was nevertheless illiberal and exclusionary.

In this context, it is worth underlining once again the degree to which the argument advanced here differs from related perspectives on "developmental patrimonialism" and the more optimistic interpretations of the role of "potentially developmental coalitions" in the political settlements framework. This study argues that the configuration of incentives and constraints prevailing in post-conflict settings featuring cohesive ruling elite coalitions is conducive to a long-term *political* agenda of regime consolidation, which in turn implies a fundamental interest in economic expansion. But at the same time, it emphasises the primacy of discretionary control and the focus on specific, politically relevant constituencies, which are in many instances at odds with conventional ideas about equitable and inclusive development. Even where incentives and constraints are aligned in such a way to generate genuinely productive innovation and a disposition towards relatively broad-based distribution (rather than primarily a drive to centralise resources in particular hands), the effectiveness of measures deployed towards this end is also not simply a matter of sheer political will, as even well-intentioned efforts may in many instances fail.

Indeed, too many recent invocations of the political settlements approach in particular have tended to give short shrift to the qualifier "potentially" in "potentially developmental coalition" – as Lindsay Whitfield and her colleagues have rightly emphasised, the configuration of conditions required for the successful pursuit of economic transformation is clearly more complex and delicate than suggested by a focus on the distribution of power across society alone, and a profoundly hegemonic dispensation is actually unlikely to be conducive to the emergence of such conditions.[19] This awareness is

[19] Whitfield et al. 2015. For instance, their framework stresses the importance of close, but not collusive relations between political and economic elites.

particularly important given the extremely anti-developmental outcomes also generated by rent-centralisation and autocratic governance in some contexts, and the high-stakes wager that a reliance on authoritarian developmentalism thus appears to entail.[20]

Ultimately, the study concurs with the Marxism-inspired notion that trajectories like those experienced by Mozambique and Angola *may* hold a counter-intuitive progressive potential, to the extent that a period of "primitive accumulation" may eventually create the conditions for a more inclusive mode of development (be it through confrontational bottom-up mobilisation or through a more gradual process of top-down reform).[21] But it remains agnostic about the likelihood of such a course of events, and certainly sceptical about its teleological inevitability.

This latter qualification notwithstanding, pragmatic and consequentialist perspectives offer defensible arguments in support of elite-led reconstruction, not least in light of the largely disappointing record of liberal peacebuilding efforts themselves. Their willingness to countenance substantial normative trade-offs sets these perspectives apart from the invocations of locally-led reconstruction that one tends to encounter in the context of the more sweeping critiques of liberal peacebuilding efforts[22] – focusing on the perceived legitimacy deficit and ill-informed initiatives of international actors, contributions in this latter vein have too often downplayed the deeply conflictual character of domestic politics in post-war environments in its own right, and ignored the extent to which the most consequential actors encountered in such settings tend to pursue agendas that are as difficult to defend on the basis of universal normative principles as on the basis of "indigenous" sensibilities.

[20] E.g. Dawson and Kelsall 2012; Easterly 2013.
[21] Cramer 2006.
[22] See for example Chandler 2010.

While important voices in the critical peacebuilding literature have rightly noted that "it should not be assumed that traditional or indigenous peace-making can be blithely equated with 'good' or a higher normative value,"[23] the formulation of this caveat in itself presumes influential local actors to aspire towards culturally embedded forms of social organisation and development in a fashion that is simply not salient in places like Mozambique and Angola. The imaginaries driving the reconstruction projects examined in this study are decidedly different ones, reflecting among other influences a fascination with the accelerated transformation of parts of Asia and the Gulf states, as well as a rekindling of high-modernist conceptions of development familiar from the mid-twentieth century.[24] There are serious arguments in favour of elite-led reconstruction, but greater cultural embeddedness is not necessarily one of them.

Ultimately, the interaction with empowered, self-interested domestic actors poses a challenge that the international community will continue to have to deal with in its engagement with war-torn countries. This will also not be made easier by the diversification of external players claiming a stake in this game, compared to the heydays of liberal peacebuilding in the 1990s and early 2000s.[25] Incidentally, this latter development may well render efforts at conflict termination through negotiated settlements more difficult, making it more likely for conflicts to end through effective military victory of the strongest party and thus potentially leading to a greater number of reconstruction processes exhibiting the dynamics examined here (the Syrian conflict may turn out as a case in point). Debates about appropriate forms of post-conflict assistance and involvement in such environments will (and should) often revolve around the specific circumstances of each case, and rarely result in a clear-cut consensus. They will however certainly benefit from

[23] MacGinty 2008, 149. See also Richmond 2011b.
[24] See also Dye 2016.
[25] Kurtz and Rotmann 2016.

an awareness of two important themes emerging from this study: On the one hand, the limits of external influence and conditionality, and, on the other, the normatively contestable nature of the projects often pursued by domestic elites in their own right.

As argued at the outset of this thesis, the necessary precondition for any informed debate about this matter is a thorough understanding of the characteristics of elite-led reconstruction. The analysis presented here has broken new ground in this regard through an in-depth engagement with dynamics in the economic realm, delineating and accounting for recurrent patters hitherto overlooked by the relevant scholarship. Still, much remains to be uncovered to fully comprehend this phenomenon, whose significance is set to grow further as the world moves on from the exceptional conditions of the post-Cold War years.

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List of interviews

Name	Description (as of date of interview)	Date	Place
Confidential	Angolan journalist	September 2016	Luanda
Confidential	Angolan civil society activist	September 2016	Luanda
Manuel José Alves da Rocha	Director, Centro de Estudos e Investigação Científica (CEIC), Universidade Católica de Luanda	October 2016	Luanda
Confidential	Representative of foreign business association	October 2016	Luanda
Confidential	Oil major executive	October 2016	Luanda
José Manuel Cerqueira	Governor of Luanda province, former administrator of Aldeia Nova agricultural project	October 2016	Luanda
Confidential	Angolan owner of oil service company	October 2016	Luanda
Confidential	Angolan owner of oil service company	October 2016	Luanda
Confidential	Executive board member of Angolan bank	October 2016	Luanda
José de Oliveira	Energy and petroleum sector expert	November 2016	Luanda
Confidential	Executive of foreign bank	November 2016	Luanda
Confidential	Oil major executive	November 2016	Luanda
Confidential	Executive of foreign contractor	November 2016	Luanda
Confidential	Former BNA board member	November 2016	Luanda
Confidential	Executive board member of foreign bank	November 2016	Luanda
Confidential	Former senior Ministry of Finance official	May 2017	Luanda
Carlos Rosado de Carvalho	Editor-in-chief, Expansão	May 2017	Luanda
Confidential	Executive of foreign engineering firm	May 2017	Luanda
Confidential	Former BNA supervisory board member	June 2017	Luanda
Confidential	Foreign shareholder of Angolan-incorporated firm	June 2017	Luanda
Confidential	Executive of foreign engineering firm	June 2017	Luanda
Confidential	Executive board member of Angolan bank	June 2017	Luanda
Confidential	IFI official	June 2017	Luanda
Confidential	Partner at international accounting and consulting firm	June 2017	Luanda
Confidential	Senior executive of Angolan bank	June 2017	Luanda
Arnaldo Lago de Carvalho	Angolan businessman and economist, former senior Sonangol executive	June 2017	Luanda
Confidential	Executive of foreign oil service company	June 2017	Luanda
Pedro Ndala	UTIP (agency for private investment) official	June 2017	Luanda
Confidential	Executive at international accounting and consulting firm	June 2017	Luanda
Confidential	Country CEO of foreign investor	June 2017	Luanda
Confidential	Former APIEX official	June 2017	Luanda
Confidential	Executive of foreign engineering firm	June 2017	Luanda
Taciana Evaristo	Board member, APIEX	June 2017	Luanda
José Severino	Businessman, head of AIA industrial association	July 2017	Luanda
Confidential	NGO representative	July 2017	Luanda
Confidential	Former senior Ministry of Finance official	July 2017	Luanda
Fernando Pacheco	Angolan agricultural expert, public intellectual	July 2017	Telephone
Confidential	Angolan owner of oil service company	July 2017	Telephone
Confidential	Foreign businessman and engineering consultant	September 2017	Maputo
Confidential	Foreign NGO representative	October 2017	Maputo
Euclides Gonçalves	Mozambican anthropologist	October 2017	Maputo
Confidential	Experienced development consultant	October 2017	Maputo

Name	Description (as of date of interview)	Date	Place
Confidential	Mozambican political analyst	October 2017	Maputo
Carlos Shenga	Director, Centre for Research on Governance and Development	October 2017	Maputo
Domingos Macucule	Professor at the Department of Architecture and Urban Planning, UEM	October 2017	Maputo
Salvador Forquilha	Director, Instituto de Estudos Sociais e Económicos (IESE)	October 2017	Maputo
Confidential	Representative of foreign business association	October 2017	Maputo
Jorrit Oppewal	Researcher, International Growth Centre	October 2017	Maputo
Confidential	Representative of foreign NGO (focus on financial inclusion)	October 2017	Maputo
Confidential	Former senior donor economist	October 2017	Maputo
Confidential	Donor economist	October 2017	Maputo
Novella Maugeri	Researcher, International Growth Centre	October 2017	Maputo
Confidential	Consultant at UN agency	October 2017	Maputo
Confidential	Representative of foreign NGO (focus on agricultural development)	October 2017	Maputo
Confidential	Former senior IFI official	October 2017	Maputo
Confidential	Mozambican economist	October 2017	Maputo
Confidential	Former senior IFI official	October 2017	Maputo
Confidential	Senior official of donor implementation agency	October 2017	Maputo
Fernanda Massarongo	Mozambican financial sector expert	October 2017	Maputo
Confidential	Local consultant and NGO representative	November 2017	Maputo
Jane Grob	Country director, Technoserve	November 2017	Maputo
Confidential	Experienced development consultant	November 2017	Maputo
Confidential	Donor financial sector development expert	November 2017	Maputo
João Mosca	Director, Observatório do Meio Rural	November 2017	Maputo
Confidential	Senior executive of large foreign investor	November 2017	Maputo
Confidential	Development finance institution executive	November 2017	Maputo
Confidential	Retired foreign diplomat	November 2017	Maputo
Fatima Mimbire	Analyst, Centro de Integridade Pública (CIP)	November 2017	Maputo
Confidential	Senior lawyer	November 2017	Maputo
Confidential	Experienced legal advisor to foreign investors	November 2017	Maputo
Confidential	Official at Ministry of Commerce and Industry	November 2017	Maputo
Confidential	Former Mozal executive	November 2017	Maputo
Confidential	Donor economist	November 2017	Maputo
José Neves	Former Managing Director, Coca-Cola Sabco Mozambique	November 2017	Maputo
Francisco Souto	CEO, Gapi development finance institution	November 2017	Maputo
Kekobad Patel	Businessman, CTA representative, and former representative of Aicáju cashew association	November 2017	Maputo
Confidential	Executive of foreign engineering firm	November 2017	Maputo
Confidential	Economist at Mozambican bank	November 2017	Maputo
Abdul Majid Osman	Businessman, former Minister of Finance, co-founder of BCI bank	November 2017	Maputo
Confidential	Financial sector expert at development bank	November 2017	Maputo
João Tique	Dean of the Department of Architecture and Urban Planning, UEM, former administrator of FFH housing fund	November 2017	Maputo
Sérgio Chichava	Researcher, Instituto de Estudos Sociais e Económicos (IESE)	November 2017	Maputo
Fernanda Fazenda and José Chembeze	Executive Director and Vice-President, respectively, ACIS business association	November 2017	Maputo
Confidential	Foreign ambassador	November 2017	Maputo
Confidential	Consultant at UN agency	November 2017	Maputo

Name	Description (as of date of interview)	Date	Place
Confidential	Development consultant	December 2017	Maputo
José Macuane	Professor, Department of Political Science and Public Administration, UEM	December 2017	Maputo
Confidential	Former administrator of IDIL	December 2017	Maputo
Sam Barnes	Former UN official, expert on humanitarian affairs	December 2017	Maputo