
MOZAMBIQUE AND THE POLITICS OF ECONOMIC RECOVERY

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Introduction

In the World Bank's 1989 Annual Report on Sub-Saharan Africa's prospects for moving *From Crisis to Sustainable Growth*, it is argued that African nations would be more prosperous today if their leaders had pursued strategies involving "less government [and] better government—government that concentrates its efforts less on direct interventions and more on enabling others to be productive."¹ The prescriptions for reducing state involvement—including liberalization of trade and currency controls, and securing private landownership—have been particularly directed at socialist states. Among the latter, Mozambique figures most prominently. From independence in 1975 to the Fourth Congress in 1983, the Frelimo² government pursued a socialist strategy of development based on large-scale, centrally planned, capital-intensive, and import-dependent development projects both in industry and agriculture. In the agricultural sector, the government established large state farms, set agricultural prices, dominated the marketing system and networks, and contained the growth of private, capitalist farmers.

After 1983, state policy was reversed; the Mozambican government turned away from large-scale, capital-intensive projects and placed an emphasis on more decentralized, market-oriented, small-scale projects. It dismantled many of the country's state farms, distributed land to peasant and private farmers, and withdrew from many spheres that it formerly dominated.³ The Mozambican government began to implement a program of reforms predicated on four main policy and institutional changes: regional prioritization, administrative decentralization, liberalization of commercial activity, and allocation of resources on the basis of economic pragmatism rather than ideology.⁴ By

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1. World Bank, *Sub-Saharan Africa: From Crisis to Sustainable Growth* (Washington, D.C.: World Bank, 1989), 5.
2. Frelimo is the Portuguese acronym for the *Frente de Libertação de Moçambique* (Front for the Liberation of Mozambique), the present ruling party in Mozambique, which led the country to independence in 1975 after a ten-year guerrilla war against Portuguese colonial rule.
3. For a detailed case study on the effects and implications of the reversal of these policies, see Merle L. Bowen, "Peasant Agriculture: The Case of Chokwe, Gaza Province," *Canadian Journal of African Studies* Vol. 23 (1989): 355-379.
4. For more information on these changes, see Otto Roesch, "Economic Reform in Mozambique: Notes on Stabilization, War and Class Formation," *Taamuli* Vol. 1 (1989).

turning to a more market-oriented economic strategy, Frelimo hoped to correct the economic imbalance that had resulted from past policy errors.

In the years following 1983, South African destabilization undermined Frelimo's efforts to implement these reforms. To halt the deepening economic crisis caused largely by South African destabilization and to obtain desperately needed Western foreign aid and credit, Mozambique joined the International Monetary Fund (IMF) and the World Bank in 1984. Subsequently, in January 1987, the Mozambican government adopted a new IMF structural adjustment program that marked an important turning point in the current political and economic life of Mozambique. This program, the *Programa de Reabilitação Económica* (Economic Recovery Program, or PRE), represents a move away from the centralized socialist planning of a few years ago toward a much greater reliance on market forces.

Since Frelimo adopted the IMF restructuring program, the government's control over the economy has been substantially reduced. The aid conditions determined by the IMF, the World Bank, and other Western international financial institutions, as well as the proliferation of non-governmental organizations (NGOs), all with their own agenda, have seriously diminished Frelimo's options for self-determination. The goal of many NGOs and aid agencies is to reduce the role and power of state institutions. In Mozambique, the withdrawal of the state has meant that international financial institutions increasingly have taken over the direction of the country's development program.

Using the case study of Mozambique, this article questions the conventional wisdom that the simultaneous withdrawal of the state and implementation of structural adjustment and market-oriented reforms are the answer to African development. It examines the political costs of these changes, and Frelimo's policy reforms and concessions, for the Mozambican state, and it describes the major trends of state contraction and ensuing contradictions. In particular, it shows that political and economic pressures have shattered the capacity of the state and its institutions to act effectively, and have eroded the internal integrity of Frelimo. The combination of these pressures has contributed to the undermining of the political legitimacy of the Mozambican state.

South Africa's Destabilization Strategy

The World Bank's assumption that African economies collapsed because of state intervention completely ignores the main cause of economic decline in southern Africa: South African destabilization. South African military violence and economic sabotage have retarded southern African economies. Between 1980 and 1988 destabilization cost nine frontline states more than \$60 billion, or more than twice their combined gross domestic product in 1988.⁵ South

5. Inter-Agency Task Force, Africa Recovery Program/Economic Commission, *South African Destabilization: The Economic Cost of Frontline Resistance to Apartheid* (New York: United Nations, 1989): 13.

African-sponsored violence has also turned several million people into refugees and caused more than 1.5 million deaths in the region.

Mozambique, in particular, has borne the brunt of South Africa's destabilization policy. Since 1980, when South Africa inherited Renamo⁶ from Rhodesia, Mozambique's economic difficulties were intensified by escalating military destabilization. Under South African sponsorship, Renamo was transformed from a minor inconvenience into a major instrument of economic sabotage and terror, especially in the rural areas. The civilian population, as well as the economic and social infrastructure, was targeted in an effort to destroy the economy and civil society and undermine the state's ability to serve and protect its citizens. In addition to waging military warfare, South Africa has drastically curtailed Mozambique's earnings by reducing transit transport through Maputo and by cutting back on the number of Mozambican migrant workers employed in the South African mines.

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Recently there has been a "paradigm shift" to explain the causes of the Mozambican war. The long-standing and well-documented explanation of the role of Renamo as a surrogate army acting for South African regional policy increasingly is being replaced by a revisionist account that accuses Frelimo's agricultural policy errors and the government's exclusion of traditional political authorities in post-independence Mozambique of being the main causes for the war.⁷ Based on two anthropologists' study of a district of Nampula

6. Renamo is the Portuguese acronym for the *Resistência Nacional Moçambicana* (National Resistance Movement of Mozambique), currently a widespread anti-Frelimo insurgency, formed in the early 1970s as an intelligence network within Mozambique for the white Rhodesian government. For a detailed account of the history of Renamo, see Paul Fauvet, "Roots of Counter-Revolution: The Mozambique National Resistance," *Review of African Political Economy* Vol. 41 (1988): 108-121.

7. Key sources that explain Renamo and the ongoing war in Mozambique as part of South Africa's policy of destabilization include Paul Fauvet, "The Roots of Counter-Revolution," Phyllis Johnson and David Martin,

Province⁸—a study in which the authors have been extremely careful not to derive generalizations about the nature of the war and banditry—other scholars have argued that Frelimo's agrarian policies have engendered support for Renamo in the countryside, with peasants joining Renamo because of their discontent with the government.⁹ These other scholars have confused peasant opposition to the communal village program with support for Renamo. Peasants' abandonment of communal villages to return to their ancestral lands, often in Renamo-controlled areas, does not necessarily constitute an expression of popular support for Renamo, but rather an expression of peasant opposition to Frelimo's policies and a desire to return to more traditional ways. Instead of supporting Renamo or cooperating with Frelimo, it would appear that the majority of the rural population in Nampula province has chosen neutrality as a survival strategy in the war between the government and Renamo.¹⁰

While it is legitimate for scholars to debate the extent to which the war is responsible for the present crisis in Mozambique, the new revisionist account of its causes minimizes South Africa's critical role in instigating and perpetuating economic and military destabilization. The assertion that the war is solely or largely the result of internal factors is contrary to fact. While many questions on peasant and state relations in post-independence Mozambique remain unanswered, it is abundantly clear from numerous and various sources that South African-supported Renamo is responsible for senseless destruction and extreme brutality against civilians.

Mozambique's Economic Recovery Program (PRE)

In the first three years of Mozambique's structural adjustment program, the PRE reversed the economic decline that had characterized the pre-1987 period. In spite of the war, the Mozambican economy experienced some growth under the program. The Gross Domestic Product (GDP) increased by 4 percent in 1987 and by 4.5 percent both in 1988 and 1989. An inflow of grants kept the deficit down to an acceptable level. At the same time, the external balance increasingly deteriorated. To prevent economic collapse, Mozambique has become more and more dependent on external concessional finance and debt rescheduling, as shown in Table 1. New credits have sustained the reform process while increasing Mozambique's total debt burden. The PRE also has been successful in undercutting the parallel economy.¹¹ In the mid-1980s, the

eds., *Destructive Engagement: Southern Africa at War* (Harare: Zimbabwe Publishing House, 1986); and William Minter, *The Mozambican National Resistance (Renamo) as Described by Ex-Participants* (Washington, D.C.: Ford Foundation, 1989). The revisionist sources include Michel Cahen, *Mozambique: La Révolution Implosée* (Paris: Editions L'Harmattan, 1987); Gervase Clarence-Smith, review article in *The Southern African Review of Books* Vol. 2 (1989): 7-10; and letter to the editor by Cahen, *The Southern African Review of Books* Vol. 3 (1990): 20-21.

8. Christian Geffray and Mogens Pederson, "Nampula en Guerre," *Politique Africaine* Vol. 29 (1988): 28-40.

9. Cahen and Clarence-Smith.

10. Otto Roesch, "Is Renamo a Popular Movement in Mozambique?" *Southern African Review of Books* Vol. 3 (1990): 20-22.

11. For an elaboration of these macro-economic successes and shortcomings of PRE, see Kenneth Hermele,

Table 1^a
External Financial Indicators, 1984-1989^b

	1984	1986	1987	1988	1989
Total external debt, billion \$	2.4	NA	4.0	4.0	4.3
Debt service (theoretical), %	196	247	228	206	182
Imports of goods & services, m\$	-690	-820	-910	-1034	-1240
Exports of goods & services, m\$	214	295	234	244	283
Current account, m\$	-476	-525	-676	-790	-957
Amortization, m\$	-338	-336	-384	-363	-277
Financial gap, m\$	-814	-861	-1060	-1153	-1234
covered by					
grants	168	213	304	416	436
credits	265	284	301	290	379
debt rescheduling, residual gap	381	364	455	447	419

^a Source: Hermele, 15.

^b 1987-1988: estimated values; 1989: projections.

parallel rate of exchange was about fifty times the official rate, while the parallel rate in November 1989 was about two times the official one.¹²

It is too soon to conclude that the PRE has established conditions for higher levels of economic growth. On the one hand, some successes have been achieved: currency and prices have real value, markets have been unified, declining levels of production have been reversed, and marketed agricultural production has increased. On the other hand, it is questionable whether the situation can be sustained for two main reasons. First, the PRE has been implemented in a context of war, thus limiting the positive impact that incentives to the productive sectors may achieve. Second, much of the improvement has been realized by an enormous inflow of foreign concessionary finance. It is unlikely that this amount of assistance will be forthcoming on a large scale, as Western countries reduce aid to Africa and other Third World regions to provide financial assistance to Central and Eastern European countries.

While the PRE has attained some of the government's aims, its benefits have not been shared evenly. Only a small sector of the peasantry has benefited from the liberalization of agricultural prices, the renewed functioning of official market channels, and the improved supply of goods. A substantial rise of 79 percent in marketed peasant production in 1987, followed by smaller increases of 16 percent in 1988 and 17 percent in 1989, however, suggests that the initial incentive of available goods may not sustain surplus production.¹³

Mozambican Crossroads: Economics and Politics in the Era of Structural Adjustment (Bergen, Norway: Chr. Michelsen Institute, 1990), 12-18.

12. "Dollar Down on Parallel Market," *Mozambiquefile* Vol. 162 (1990): 18.

13. "Machungo Paints Grim Economic Picture," *Mozambiquefile* Vol. 164 (1990): 15.

Although some of this decline can be attributed to the war and climatic conditions, the magnitude of the decline is suggestive. Reliable statistics are not yet available, but existing evidence indicates that after 1987, the year when the peasantry's terms of trade improved by 21 percent at official prices, unfavorable terms of trade have prevailed.¹⁴ If terms of trade continue to deteriorate, peasants may once again reduce their marketed production, as their immediate consumer needs are satisfied.

In fact, the majority of Mozambican peasants living in the countryside have not benefited from the PRE, largely because of the war. A 1989 World Bank study on Mozambique's food security found peasants' food stocks to be extremely fragile and inadequate. The majority of peasants surveyed had less than four months of food stored instead of the eleven months required for normal food security.¹⁵

Meanwhile, the situation for most urban dwellers is considered to be worse than that of the rural population. Poverty has increased for the majority of the urban population, while a small minority has managed to accumulate a large share of wealth. The living standards of poor urban wage earners have deteriorated because of soaring prices and the removal of food subsidies. The decline in living standards has also led to a reduction of real purchasing power and rising malnutrition.¹⁶

The combination of war and the PRE has led to the near collapse of the social sectors, in particular health and education. In the first years after independence, Frelimo made great strides in these two areas; primary school enrollment increased from 600,000 in 1974 to 1.6 million students in 1980, and the literacy rate of less than 10 percent in 1975 rose to 30 percent in 1980.¹⁷ Progress in health was similar. By 1981, Mozambique's preventative health care system was being held up as a model by the World Health Organization for its impressive gains in immunization programs and primary health care facilities.

Both because of increasing economic and military destabilization in the 1980s, and because of the PRE, the government was no longer able to make health and education a priority. Education and health budgets, which stood at 17 percent and 7 percent respectively of government spending in 1986, accounted for an estimated 10 percent and 4 percent respectively in 1988.¹⁸ Budget cuts in education have resulted in lower quality and efficiency as well as higher prices for books and other school materials. In areas where the education system continues to function, it is under extreme strain with high dropout rates, overcrowded classrooms, and multi-shift schedules. Similarly, the budgetary reductions for health care have meant that per capita health

14. Hermele, 19.

15. World Bank, *Mozambique Food Security Study* (Washington, D.C.: World Bank, 1989).

16. Ibid., and World Bank, *Mozambique Population. Health and Nutrition Sector Report* (Washington, D.C.: World Bank, 1990).

17. Judith Marshall, "Structural Adjustment in Mozambique—The Human Dimension," *Mimeo* (1989): 4.

18. Swedish International Development Agency, *Country Report: Mozambique* (Stockholm: Swedish International Development Agency, 1988): 19.

spending in 1988 was only one fifth of that in 1981, shrinking from five dollars to one dollar per person.¹⁹

With budgetary cutbacks and the withdrawal of the state, donor agencies have taken over the direction and content of social policy. In addition, donor actions have seriously impaired the capacity of the state to control and manage public expenditures and the public sector in general. Government personnel have been forced to spend an inordinate amount of time dealing with agencies and their consultants at the expense of dealing with public management issues. An even more serious factor in weakening the state has been the flight of skilled professional cadres from the public sector to donor agencies and, to a lesser extent, to the private sector. The PRE restricted the public sector borrowing of cash, and hence limited public sector expenditures on wages and salaries. Steep devaluations of the national currency and sharp price increases rapidly eroded public sector incomes, resulting in a "brain-drain" from the public sector, the extent of which is little documented. Mozambican professionals gravitated toward donor agencies because of higher salaries and better transport facilities, office equipment, and supplies. The growing demand for local professionals in donor agencies has resulted in a tendency for the agencies to refrain from supporting state administration and developing its managerial capabilities. Instead, donor agencies have favored selective support to specific programs, often requiring their own institutional set-up and management. For example, in health care, the emphasis did not merely shift from supporting a general health service toward selective interventions; it also implied a shift away from the Ministry of Health toward UNICEF in terms of management.²⁰ In practice, donor actions often severely erode the state's cohesiveness and ability to manage the public sector.

The Contradictions of Frelimo's Concessions

For nearly fifteen years, Mozambique was portrayed as a unified, cohesive, single-party state led by Frelimo, a united party which was reasonably popular and which had proven its capacity for self-criticism and self-renewal.²¹ The war of aggression, government policy errors, Frelimo's reforms and concessions, and the impact of PRE, however, have taken a heavy toll on the Mozambican leadership. Not only has political dissatisfaction with Frelimo grown, but the internal cohesion of the party itself is now threatened. Some of the major issues include increasing corruption among party members and government officials, and the role of the state and development priorities under current conditions.

At a People's Assembly meeting in December 1989, members openly debated the issue of corruption among the party and government ranks.

19. Hermele, 19.

20. Marc Wuyts, "Economic Management and Adjustment Policies in Mozambique," *Mimeo* (1989): 25-27.

21. See Allen Isaacman and Barbara Isaacman, *Mozambique: From Colonialism to Revolution, 1900-1982* (Boulder, Colo.: Westview Press, 1983) and John S. Saul, ed., *A Difficult Road: The Transition to Socialism in Mozambique* (New York: Monthly Review Press, 1985).

Speaking during the debate, assembly member Sergio Vieira warned against the appearance of new "Nkavandames," in a reference to a crisis that wracked Frelimo in the late 1960s.²² In addition, General Secretary of the Mozambican Women's Organization Salome Moiane warned of the ramifications of unabated corruption, referring to the mass demonstrations that led to the recent changes in Eastern Europe: "We will be confronted with the same sort of thing if we carry on like this. And all our necks will be on the block because of half a dozen crooks. I am prepared to lose my head for what I have done, but not for what others have committed."²³ Although the issue has been identified as critical, corruption is fast becoming a way of life at all levels of society.

Some of the old debates on issues which had been submerged but never eliminated within the party have resurfaced, fueling divisions within Frelimo. The major issue is the road of development that the country will follow. Although there is general consensus that economic reforms were necessary and

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that the further development of the market is critical, large disagreements exist over the role of the state in this process, the relative role of the state versus market forces, and development priorities. There is a growing number of Frelimo members who appear to be concerned only with the development of a national bourgeoisie, the interests of private capital, and the strengthening of the market, and who show a very strong commitment to modern sector growth and direct foreign investment. They lean toward rapid withdrawal of the state and disinvestment in the social sectors in the name of efficient market solutions. A smaller and less powerful group still advocates the importance of investment in the social sectors. This group sees the state not only as a facilitator for private capital, but also as a legitimate actor and regulator in critical markets. Its members thus call for continued strengthening of the state in a number of areas and for active intervention by the public sector to help the family sector revive.

22. Lazaro Nkavandame was a leader of the group that became known as "the new exploiters" in the Frelimo leadership. He used peasant labor and surplus crops generated in Frelimo's liberated areas for his own personal benefit. His line was defeated at Frelimo's Second Congress in 1968, and he later deserted to the Portuguese. His name has since become a synonym for corruption and betrayal. See "Corruption and Poverty Debated at People's Assembly," *Mozambiquefile* Vol. 162 (1990): 5.

23. *Ibid.*

A major internal alteration took place at the Fifth Party Congress in July 1989 when Frelimo decided to change its character from a Marxist-Leninist party of the worker-peasant alliance to a party for all Mozambican people. The party still advocates socialism, but the focus is on national consensus and a broad alliance among all social groups. Membership was extended to property owners, religious believers, and polygamists. These changes have been interpreted as Frelimo's attempt to return to a broad nationalist strategy for ending the war.

Since the Fifth Party Congress, Mozambicans have participated in a nationwide discussion on the new draft of the country's constitution. The document is to be put to a final vote in the country's parliament, the People's Assembly, later in 1990. The new draft separates the party from the structures of the state, and offers the possibility for the posts of party president and state president to be held by two different people—something that has been constitutionally impossible up to now. Under its provisions, the head of state would be elected by universal suffrage and secret ballot in elections which could be contested by two or more candidates. The new draft offers wide individual freedoms, including freedom of religion, expression, assembly, and association, as well as the right to own private property.

Although the new draft constitution makes no specific reference to political parties, the question of whether Mozambique should retain its current one-party political system or should change to a multiparty system was one of the most controversial issues discussed at the Fifth Party Congress. In a historic move, President Joaquim Alberto Chissano announced on July 31, 1990, that the Politburo, the party's top policy-making body, had unanimously agreed that the country should adopt a pluralistic political system and a multiparty state. The Politburo's decisions were endorsed by the parliament in October 1990, enabling rival parties to contest the general election scheduled for 1991. It is widely believed that the introduction of a multiparty system and changes to the constitution will permit Mozambicans to have a greater say in their country's affairs. Unfortunately, the leaders Mozambicans elect under this increasingly democratic political system will, when it comes to economic policy, find themselves under the control of foreign donors.

Social Protest: Demonstrations and Strikes

The current conditions in Mozambique have not only taken their toll on the internal cohesion of the party, they have also strained Frelimo's relations with the masses. Political dissatisfaction with Frelimo has increased as the government has failed to end the war, and living standards for the majority continue to deteriorate.

Popular discontent with the Economic Recovery Program and with government reforms rose sharply in 1989 and 1990. Unprecedented strikes by dockworkers and journalists in 1989, followed in 1990 by strike action in the transport sector, urban services, health services, education, industry, construction, coal mining, and forestry, reflect the growing tension between Moz-

ambican public sector employees and the government. Although small agricultural producers have not yet protested collectively, they have used public forums to express displeasure with the PRE and government bias toward privatization. At the Fifth Party Congress, Celina Cossa, chairperson of the General Union of Agricultural and Livestock Cooperatives of the Maputo Green Zones, warned against the resurgence of an exploitative private sector which would steal the land from the cooperatives.²⁴ Ms. Cossa's intervention referred to the two enemies of peasants—Renamo and large private farmers. The struggle for land, especially around the cities, is being fought by small-scale farmers and cooperative members, who are mostly women, against large-scale private farmers, who tend to be men. Some members of the party and government have aligned with private farmers to deprive peasant farmers, particularly those in cooperatives, of their land by alleging that they do not know how to make proper use of it.

In general, the government's reaction to strikes has been characterized by restraint, and the police have kept a low profile. While the government has recognized that many of the workers' demands have been just and understandable, it has also contended that some of them were not compatible with the country's present economic situation. Although the current constitution does not recognize the right to strike, the Ministry of Labor recently conceded that legal strikes may be called by the workplace union committee or, where such committees do not exist, by mass meetings of workers. The new draft constitution guarantees workers the right to strike.

In the 1990s it is probable that the Mozambican government, like other governments in the region, will find it more difficult to enjoy political stability and maintain order. Strike activity will increase as workers protest for better working conditions and higher wages to meet rising inflation and living costs. It is unlikely, however, that Frelimo or any other government will be able to meet workers' demands with a bankrupt economy.

Conclusion

The case study of Mozambique has shown that the withdrawal of the state may lead to macroeconomic development, at least in the short term; however, it also may lead to greater economic dependency, political instability, and social differentiation. The PRE and other economic reforms have arrested Mozambique's economic decline. The country also has greater access to external resources than it had prior to the implementation of the IMF's structural adjustment program, which explicitly called for the contraction of the state. But Mozambique has paid a high price for these gains: it is dependent upon external concessionary finance, while the utilization of domestic funds is increasingly subjected to donor interference and conditionality. The World Bank estimates that of the foreign exchange available to Mozambique in 1989, only 15 percent constituted "free" money which the government could dispose

24. "Cooperatives Fighting a Double War," *Mozambiquefile* Vol. 157 (1989): 13.

of without external interference.²⁵ Mozambique's prospects for self-determination are bleak. International capitalism, including donor organizations, increasingly defines and controls the country's national development.

With the withdrawal of the state, both the content and management of the government's programs are under donor influence. The state has been weakened further by the World Bank, NGOs, United Nations institutions, and other donor agencies that have set up their own, often parallel, operations. Furthermore, the international donor community has undermined the government's ability to control and manage the public sector by both tying up the state apparatus and robbing the public sector of its few competent civil servants. The overburdened Mozambican state apparatus must deal with forty bilateral and multilateral funding agencies and with another 130 foreign NGOs operating within the country.

The current conditions, exacerbated by South Africa's war of aggression, have eroded the internal cohesion of the party. Differences over the role of the state vis-à-vis market forces and development priorities have rekindled existing cleavages within Frelimo. Meanwhile strikes and protests have arisen in the wake of PRE, deteriorating living standards, and growing corruption. In conclusion, it would appear that the future of Mozambique could easily be reduced to that of a service economy unless Mozambican leaders can develop alternative and better programs to integrate the country in regional and world markets.

25. Hermele, 18.



